Austria ... Sch. 18	Indonesia .. Rs 2500	Portugal .. Esc 80
Bahrain .. Din 0.650	Italy ..... L 1300	S. Arabia .. Rls 6.00
Belgium ... BFr 38	Japan Y550	Singapore . S$ 4.10
Canada ... C$2.00	Jordan ... Fils 500	Spain ... Pta 110
Cyprus ... C£0.60	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark .. Dkr 7.25	Lebanon .. L£ 6.00	Sweden .. Skr 6.50
Egypt .... E£1.00	Luxembourg . LFr 38	Switzerland SFr 2.20
Finland .. Fmk 6.00	Malaysia .. Rm 4.25	Taiwan ... NT $85
France .. FFr 6.00	Mexico .. Pes. 300	Tunisia .. Din 0.600
Germany . DM 2.20	Morocco .. Dh 6.80	Turkey .... L 218
Greece .... Dr 70	Netherlands . Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong . HK$ 12	Norway .. Nkr 6.00	U.S.A. $1.50
India .... Rup. 15	Philippines . Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,530 — Tuesday January 22 1985 — D 8523 B

Ruthless times in French car industry, Page 14

World news

U.S. role sought in new talks on Cyprus

United Nations and Greek Cypriot officials are pinning their hopes on renewed United States pressure to persuade Turkish Cypriot leader Rauf Denktash to resume by February the summit talks that broke down on Sunday.

Four days of negotiations in New York failed to achieve a preliminary draft agreement, or even a commitment.

Cyprus President Spyros Kyprianou has asked to meet President Reagan soon. **Page 3**

Giscard visit

Former French President Valery Giscard d'Estaing is to visit New Caledonia before the referendum on the territory's future in July. He said the territory should remain part of France. **Page 16**

UK stands firm

The UK Government and the National Coal Board stood firm against appeals for new negotiations with the National Union of Mineworkers as the return to work by miners accelerated. **Page 16**

More 'spies' held

Five more arrests were reported in India's big spy scandal. Officials in the defence departments were among those arrested. **Page 2**

Pakistan arrests

Three leading opposition politicians in Pakistan have been detained for three months, ahead of a planned meeting today of the main opposition alliance.

Bhopal accidents

Union Carbide's Bhopal pesticides factory, where a gas leak last month killed 2,500 people, had six earlier accidents, according to the Indian Government.

66 die in crash

A chartered "gamblers' special" airliner crashed shortly after takeoff in Reno, Nevada, and up to 66 of the 68 people on board were feared dead.

Guerrillas seized

Spain's Interior Minister José Barrionuevo claimed that "all known members" of the Grapo urban guerrilla group still operating in Spain had been arrested in a nationwide swoop. **Page 2**

Temple blast

Nine bombs exploded at the ancient Buddhist temple of Borobudur in central Java, causing serious damage but no casualties.

Kurdish trial

Eighty four alleged Kurdish separatists went on trial in a military court in Diyarbakir, eastern Turkey, accused of trying to overthrow the state through murders and armed raids.

Falklands change

Britain announced it is replacing its diplomatic representative in the Falkland Islands, Sir Rex Hunt, who temporarily surrendered the colony to invading Argentine forces in 1982. **Page 4**

Portuguese rift

Portuguese President Eanes met national leaders to discuss a rift between him and the Socialist-led Government. **Page 3**

Watertight defenders

Two South Korean soldiers who shot dead a dolphin thinking it was a North Korean spy vessel were praised by their commander for "demonstrating watertight defence posture and exact marksmanship under darkness."

Business summary

Wall St. surges on interest rate hopes

WALL STREET stocks soared higher yesterday as private investors expressed confidence that interest rates will remain low while the U.S. economy renews its recovery.

By 3pm, the Dow Jones industrial average showed a net gain of 25.4 at 1,252.76 and buying support across the broad range of the market had lifted the New York Stock Exchange composite index to a new peak.

In the Nasdaq Over-the-Counter markets, secondary technology issues attracted strong buying demand. **Section III**

DOLLAR was weaker in London, falling to DM 3.1705 (DM 3.181), FFr 9.7075 (FFr 9.7475), SwFr 2.6665 (SwFr 2.682) and Y253.4 (Y254.5m). On Bank of England figures, the dollar's trade-weighted index declined to 146.0 from 146.5. **Page 37**

STERLING showed small mixed changes in London, gaining 25 points against the dollar to close at $1.1235, rising to FFr 10.9175 (FFr 10.9), remaining unchanged at SwFr 2.9975 and Y285.0 and falling to DM 3.565 (DM 3.5675). The pound's exchange rate index was unchanged at 71.3. **Page 37**

TOKYO shares hit another record in the lowest turnover this year. The Nikkei-Dow market average rose 12.43 to 11,964.52. **Section III**

LONDON shares see-sawed as institutions took to the sidelines. The FT Ordinary index eased 0.5 to 1,003.9. Gilts improved. **Section III**

FRANKFURT and **Amsterdam** bourses set records although profit-takers were in evidence. The Commerzbank index rose 1.5 to 1,169.4 and the ANP-CBS index gained 1.6 to 192.9. **Section III**

GOLD rose 50 cents on the London bullion market to close at $307.50. It was also slightly higher in Zurich at $307.75. **Page 36**

INVESTMENT: UK financial institutions resumed investment in overseas stock markets in the third quarter of last year, after withdrawing funds in the previous three months. **Page 6**

BELGIUM should press on with Government spending cuts and wage restraint to aid its economic recovery, but unemployment could start rising again this year, the Organisation for Economic Co-operation and Development said.

ISRAEL'S voluntary price and wage curbs, which the Government hopes to renew, are under pressure from both employers and workers, **Page 2**

JAPAN'S balance of payments surplus, likely to have reached about $34bn last year, can best be handled by an appreciation of the yen against the dollar, a Bank of Japan official said. **Page 16**

BTR takeover bid for Dunlop Holdings suffered a setback when National Westminster, a key bank behind a financial rescue package for the UK tyre and rubber products group, said the terms of BTR's £33m ($37m) offer were not acceptable. **Page 16**

INLAND STEEL, fourth largest U.S. producer, reported a net loss of $41.4m in 1984 – its third consecutive annual deficit – after further heavy charges and provisions in the fourth quarter. **Page 17**

SPERRY, U.S. computer and capital goods manufacturer, reported a 10 per cent decline in third quarter earnings from continuing operations to $61.2m. **Page 17**

BANK OF BOSTON, nineteenth largest U.S. banking group, reported net earnings of $74.6m, more than double the figure for the same period last year. **Page 17**

We apologise for any typographical errors in today's edition arising from industrial action by members of the National Graphical Association in the proofreading room in London.

Reagan opens new term with pledge to pursue 'star wars'

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan yesterday launched his second term of office with a pledge to press forward with his conservative agenda at home and pursue negotiations with the Soviet Union "to rid the world of the threat of nuclear destruction."

In an optimistic, all-American inaugural address setting the tone for his second and final four years in the White House, Mr Reagan stressed that there must be "no wavering' in the U.S. defence build-up and reiterated his commitment to his "star wars" strategic defence programme to "render nuclear weapons obsolete."

Mr Reagan outlined a bright, patriotic vision of a new America in which the country's entrepreneurial genius and traditional values would flourish, government would be reduced to its proper place and all would reap the benefits of a free enterprise "opportunity society."

"I do not believe you re-elected us in 1984 to reverse course" he told the American people. "In this blessed land, there is always a better tomorrow."

In a last-minute change of plan, Mr Reagan delivered his address inside the Capitol building after bitterly cold weather caused the cancellation of the traditional inaugural parade for the first time in history.

Mr Reagan warned that while negotiations should proceed with the Soviet Union, much remained to be done to restore the defences of the U.S. The Soviet Union, he said, "has conducted the greatest military build-up in the history of man, building arsenals of awesome offensive weapons."

Mr Reagan repeated his hopes that the development of star wars technology would lead the Soviet Union to agree on a way to end the nuclear threat to the world. "Such a shield would not kill people, but destroy weapons. It would not militarise space, but help demilitarise the arsenals of earth," he said.

In what he hoped would be the "golden years" ahead, America must support the worldwide struggle for individual liberty, self-government and free enterprise, so as a "turn the tide of history away from totalitarian darkness an into the warm sunlight of human freedom."

Mr Reagan used his speech to develop the main themes of his administration rather than announce specific details of his programme, which he is to spell out more fully in his State of the Union address on February 6, his 74th birthday.

He won the loudest applause from his packed, standing audience in the Capitol rotunda when he reaffirmed his commitment to a constitutional amendment requiring a balanced Federal budget. He reiterated his intention of proposing a freeze on overall government spending when he sends his fiscal 1986 budget to Congress of February 4.

A dynamic economy, with more citizens working and paying taxes, would be "our strongest tool" to bring down budget deficits, Mr Reagan said. After an almost unbroken 50 years of deficit spending, the time of reckoning had finally come, "a moment for hard decisions."

Mr Reagan again threw his support behind plans to reform and simplify the U.S. tax system and make it fairer. He called for "a great national drive to tear down economic barriers and liberate the spirit of enterprise in the most distressed areas of our country."

Mr Reagan repeatedly called for bipartisan co-operation to fulfil his objectives. He nevertheless chastised the Democrats, without naming them, for having sought too great a role for Federal government and allowing taxes and inflation "to rob us of our earnings and savings."

U.S. to launch 'spy' satellite, Page 4

Ford 'may have to close one European car plant'

By Kevin Done in Stockholm

A CLEAR HINT that Ford eventually might close one of its six European car assembly plants because of the motor industry's overcapacity was given yesterday by Mr Bob Lutz, chairman of Ford of Europe.

He pointed out that, even though a number of European car groups had reduced capacity, the industry still was capable of making 2.3m more cars than the market is absorbing – some 18 per cent of European production capacity.

The degree of excess capacity "still remains a major problem for the industry and is causing many to consider even more radical manufacturing rationalisation. For the harsh fact is that we can make more cars and trucks than the market can consume and that does not not make sense," Mr Lutz told a conference at the Stockholm Motor Show.

A Ford of Europe spokesman last night insisted that his company had "no imminent programmes to close plants." However, "this is one of the things we need to think about in the long term; it is one of the long-term options open to us."

Ford's main car assembly plants in Europe are at Cologne and Saarlouis in West Germany, Dagenham and Halewood in Britain, Genk in Belgium and Valencia in Spain. A small plant at Lisbon assembles

Continued on Page 16

Pechiney chief to lead Renault as Hanon quits

BY PAUL BETTS IN PARIS

M GEORGES BESSE, head of the French nationalised Pechiney aluminium group, was named yesterday by the French Government as the new chairman of Renault, the state-owned car manufacturer, which is expected to report losses of up to FFr 10bn ($1.03bn) in 1984.

A Renault board meeting today, followed by a Cabinet meeting tomorrow, will ratify the appointment of M Besse to one of the key positions in the French industrial state sector.

His appointment follows the resignation yesterday of M Bernard Hanon, chairman of Renault since 1981. Mr Hanon was forced to hand in his resignation after the Socialist Government leaked to the press at the weekend that it planned to replace him.

Although M Hanon's departure was not altogether unexpected, the ruthless and swift way the Government executed his dismissal came as a surprise. It left a feeling of bitterness and shock at Renault.

M Hanon learned of plans to replace him at the weekend while he was in New York to attend a meeting of American Motors Corporation (AMC), the U.S. company 46 per cent owned by Renault. His dismissal is seen as the price he has had to pay for Renault's mounting losses and difficulties at a particularly sensitive political moment for the Socialists.

M Besse, who has successfully returned the loss making Pechiney group to profit through a major restructuring programme during the past two years, is the first outsider to be appointed as chairman of the car group.

The Government is hoping he will be able to help Renault recover in time for the French parliamentary elections in 1986.

M Besse's appointment was met with mixed feelings in Paris. The pro-Communist CGT union, which has been extremely critical of Renault management and policies, reacted coldly, saying that the appointment of a new chairman did not change Renault's fundamental problems.

The unions appeared worried that the new chairman might try to press forward more forcefully than M Hanon a restructuring programme involving substantial job reductions to cut Renault's losses.

M Besse has no experience of the car industry, having spent the main part of his career in the nuclear sector. He takes over at Renault at a time when the group has seen its share of the French car market drop by 10 points in the past four years to 31 per cent last year and is seeking FFr 4bn state aid in the form of capital grants and soft loans.

Continued on Page 16

Ruthless time at Renault, Page 14

Continental Illinois shows best result for two years

BY WILLIAM HALL IN NEW YORK

CONTINENTAL Illinois, the Chicago bank rescued by the U.S. government last summer, earned $36.6m in the final quarter – its best quarterly performance for two years.

The fourth quarter net income, 44 per cent up on the year-ago figure and well ahead of the third quarter net income of $4m, is the first real evidence since the $4.5bn bailout that confidence is beginning to return to the beleaguered banking group.

Following heavy losses in energy lending and a run on its deposits last summer, Continental Illinois was rescued in mid-September with the Federal Deposit Insurance Corporation (FDIC) injecting new capital and taking more than $3bn of problem loans.

Despite the massive bailout, Wall Street and the world's money markets have been waiting for Continental's fourth quarter figures with more than usual interest.

They needed to be reassured that the newly recapitalised bank could return to profitability and finance itself without relying on the $10bn-plus safety net put in place by the U.S. Federal Reserve and a group of 28 U.S. banks at the height of the bank's financial crisis last year.

Continental said yesterday that its average borrowings from the Federal Reserve had fallen by $2.3bn to $3.8bn between the third and fourth quarters, but borrowings from the 28 commercial banks was unchanged at $4.1bn.

Mr John E. Swearingen, chairman and chief executive of Continental Illinois Holding Corporation, said yesterday that the removal of the substantial burden of low-yielding non-performing loans had helped boost net interest income

During the fourth quarter of 1984 taxable equivalent net interest income was $215m and the net interest margin was 3.10 per cent. This compares with a net interest margin in the final quarter of 1983 of 2.43 per cent.

Aside from the improvement in net interest margins, which reflects an improvement in the group's ability to fund itself, Continental's performance has also been helped by a drop of more than one fifth in non-interest expenses in the fourth quarter to $148m.

Volvo near deal with Clark

BY OUR NORDIC CORRESPONDENT IN STOCKHOLM

VOLVO of Sweden and Clark Equipment of the U.S. are expected to announce plans tomorrow for the merger of their construction equipment operations.

The move will create a third force in the world construction equipment industry capable of challenging Caterpillar of the U.S. and Komatsu of Japan in the wheeled loader and dump truck sectors.

The new operation will be the world's market leader for off-highway dumpers and dump trucks and will have sales of more than $720m.

The Volvo board has approved the deal and an announcement of the merger is expected to follow a meeting of the Clark board tomorrow.

Addressing a conference at Stockholm motor Show, Mr Haakon Frisinger, managing director of Volvo, said the "prerequisites" existed for the merger, which has been under consideration for more than nine months.

Volvo BM, Volvo's construction equipment subsidiary and Clark Michigan, the wholly owned construction equipment offshoot of Clark Equipment, began a joint feasibility study into a possible merger last April.

As a first step, the two companies exchanged 10 per cent shareholdings in each other and appointed two representatives to each other's boards.

Mr Frisinger said the two companies complemented each other well. Volvo BM had 70 per cent of its sales in Europe with a substantial presence in the Middle East, while 70 per cent of Clark's sales were in North America. The company was also strong in Brazil. There were few product overlaps, he said.

The world construction equipment sector has been suffering a deep and prolonged recession which has seen the collapse of IBH Holding of West Germany, formerly the third largest company in the industry.

Both Volvo and Clark have come through the recession relatively strongly, and the merger is aimed at creating an entity that is strongly represented on all the world's major markets.

Mr Eric Johanson, managing director of Volvo BM, said last year that an eventual merger would allow the two companies to achieve positive economies of scale in research and development, manufacturing and marketing, as well as in other areas.

Both groups have gone through hard periods of rationalisation and restructuring. Volvo BM has pulled out of forestry and agricultural machinery and has concentrated its resources in construction equipment. It made its last agricultural tractor in 1983

Opec claims progress in battle to set new price differentials

BY DOMINIC LAWSON IN LONDON

MINISTERS from the Organisation of Petroleum Exporting Countries said yesterday that Opec had made progress in the battle to establish a more rational system of oil pricing.

Their comments followed a two-day meeting of Opec experts in Riyadh to draw up proposals on the pricing of Opec's various blends of crude oil. The proposals will form the basis for policy decisions by Opec ministers when they meet on Sunday in Geneva.

Opec's main problem is that the official price of its light crude oil is well above what the market will pay, while its price for heavy oil is less than spot market rates.

There is conflict within Opec between producers of light oil, who want the imbalance corrected by increases in the price of the heavy crudes, and producers of heavy crude, such as Saudi Arabia, who want cuts in the price of light crudes.

The price differentials committee which has just completed its meeting in Riyadh consists of experts from Saudi Arabia, Kuwait, Nigeria, Libya, the United Arab Emirates, Algeria and Qatar. Of these, only Saudi Arabia and Kuwait are mainly producers of heavy oil.

The meeting is thought to have considered three basic proposals. The first, from Kuwait, involved keeping the price of medium and heavy Opec crudes unchanged but reducing the price of very light crudes by 50 cents a barrel. Kuwait also advocated abandoning a single crude, Arab light, as the Opec marker crude. Instead, it sought a basket of crudes as marker to the main Opec price.

Nigeria advocated an increase of 50 cents a barrel to $27 – in the price of Arab heavy and a reduction of 75 cents – to $28.25 – in the price of Arab light.

Algeria is insisting that all light crude prices be maintained at current levels but that Arab heavy should be increased by $1.50 a barrel to $28.

Although Sheikh Yamani, Saudi Arabia's Oil Minister, claimed yesterday that the talks had made remarkable progress, he has frequently stated publicly that he will never agree to an increase in the price of Arab heavy.

Opec experts not attending the Riydah meeting say it is most unlikely that the talks could have produced a single compromise proposal.

While the experts were meeting, Sheikh Yamani held separate talks with Professor Tam David-West, the Nigerian Oil Minister. Nigeria is the weak link in the Opec chain and is currently observing neither Opec prices nor production quotas.

Opec ministers are particularly worried that if the British National Oil Corporation moves, as it has threatened, to spot-related official prices, then Nigeria will follow suit and wreck attempts to re-establish Opec pricing unity.

Mr Alick Buchanan-Smith, Britain's Energy Minister, said yesterday that he would not make any moves to impose spot-related UK oil prices before the Opec ministers meet in Geneva.

CONTENTS

RED ARMY FACTION MEMBER DIES IN BOMBING

West Germany fears terrorist resurgence

BY PETER BRUCE IN BONN

A FORMER student and convicted activist with West Germany's Red Army Faction (RAF) terror group, was blown up late on Sunday night while trying to place a bomb in a law court complex in Stuttgart, police said yesterday. The man, Johannes Thimme, and a woman colleague, Claudia Wannedsdorfer, who was badly hurt in the blast, have thus become the first victims of a month-long wave of new terrorist bombings and arson attacks in West Germany.

In two other attacks at the weekend, a data processing company's building in Karlsruhe was damaged by fire and a bomb exploded in a Berlin suburb near an IBM installation.

Since mid December, more than 40 bomb and fire incidents have been investigated by police. At least 20 are strongly believed to have been the work of the RAF, which claims it is acting in support of 37 suspected and convicted terrorists on hunger strike in est German jails.

West German security authorities say they have increased security around likely human targets, chiefly senior Nato officers, judges, lawyers and industrialists. Most of the bomb and arson targets so far have been military and industrial.

The RAF, which was written off by the security authorities last summer after the arrest of a number of leading members, is now thought to consist of less than 20 active members and around 100 sympathisers prepared to hide and feed them.

Despite the small numbers, however, the combination of hunger strike and low level terrorists activity is beginning to arouse public concern here.

At least three of the hunger strikers are now being force fed, having begun their hunger strike at the beginning of December in an attempt to force the authorities to put them in one jail, or at least in bigger groups. Claiming that they are engaged in a struggle against U.S. imperialism, the RAF members are demanding to be treated as prisoners of war.

Already, however, the RAF's new-found ability to make and plant bombs may lead to new attempts to step up terrorist activity throughout Europe. Last week the RAF, in conjunction with a French group, Action Directe, announced it was planning to build up its European presence. A few hours before that message reached a Paris news agency a bomb wrecked a Nato library in Brussels.

In Brussels, meanwhile, Belgian police were put on a full terrorist alert over the weekend over fears of car bomb or suicide attacks by extremist groups against U.S. and Nato installations.

The fear now is that one of the hunger strikers will die. Defence lawyers say some, particularly one Christian Klar, are very ill. Klar has yet to come to trial for a number of offences, including a role in the kidnapping and subsequent slaying of Herr Hans-Martin Schleyer, a senior German industrialist, in 1977.

Although the authorities are playing down the danger of a hunger strike death for the moment, officials have conceded that should Klar or a colleague die, the RAF might well attack a human target. The Interior Minister, Herr Friedrich Zimmermann, said last week that he expected the attacks to increase. Other than the woman injured on Sunday, no arrests have been made so far.

Spanish minister claims success against guerrillas

BY TOM BURNS IN MADRID

SPAIN'S Interior Minister, Sr Jose Barrionuevo, claimed yesterday that "all known members" of the Grapo urban guerrilla group that were still operating in Spain had been arrested. The minister revealed that, in a nationwide swoop at the weekend, security forces had arrested a total of 18 alleged members of the organisation, five of them women, and had uncovered 16 safe houses used to hide Grapo gunmen and to hold kidnap victims.

Sr Barrionuevo said that the arrests, which took place in Barcelona, Madrid and five other Spanish cities, had pre-empted two assassinations and a kidnapping planned for the immediate future and a string of murders that were to have taken place next month. He said that the arrests were "an important blow that severely reduces the criminal possibilities of Grapo."

He warned, however, against "triumphalism" and said that, despite the success of the operation, vigilance would be maintained. Certain Grapo militants remained at large, but not in Spain, although he could not say in which country they had taken refuge. Among those who had escaped the police dragnet, and was presumably outside Spain, was Manuel Perez Martinez, a prominent Grapo member recently released from prison

Claims that Grapo was finished have been made in the past by other interior ministers.

Dachau issue looms over Reagan visit

BY RUPERT CORNWELL IN BONN

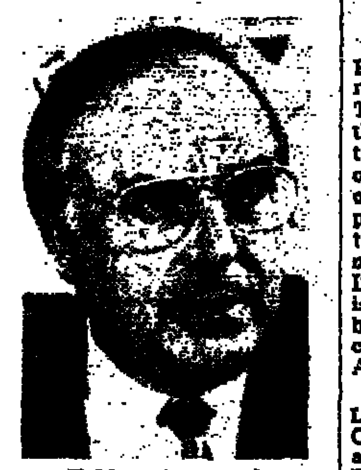
BONN AND Washington have still not finalised the state visit to West Germany likely to be paid by President Ronald Reagan in early May, and which could include a visit (of huge sensitivity) to the former Nazi concentration camp of Dachau near Munich.

The issue has been stirred up again by weekend magazine reports, to the effect that, whatever West German misgivings, the American side was insisting on going to Dachau.

Herr Peter Boenisch, the Government spokesman, yesterday maintained that Bonn had no objection. But there is scant doubt that the idea, and the inevitable focus it would constitute for media coverage of the anniversary of the Nazi surrender on May 8, 1945, when the world's eyes will beon Germany, arouse deep distaste here.

Despite the uncertainty, however, and tricky considerations of security, the state visit itself looks set to go ahead, most probably immediately after the seven-nation Western economic summit which President Reagan will be attending here on May 2-4.

A separate embarrassment for Chancellor Helmut Kohl yesterday was apparent failure



Kohl: embarrassed

to settle a substitute slogan for a meeting in June of associations representing these Germans expelled from Silesia, now part of Poland, after the last war.

The associations standing for a large part of the estimated 11m West Germans of *vertriebene*, or "expelled", origin, had planned to hold the rally under the title "40 years of expulsion — Silesia remains ours." But the Chancellor has made his attendance conditional on a change.

Kidnappers acted alone, reports Polish daily

POLAND'S OFFICIAL Communist party newspaper, Trybuna Ludu, said yesterday that evedence presented in the trial of four secret police officers charged in the killing of Fr Jerzy Popieluszko, the pro-solidarity priest, indicated that they acted alone and were not part of a wider conspiracy. It added, however: "The trial is not over veryet and it would be premature to make categorical statements in this matter," AP reports from Torun.

Capt Grzegorz Piotrowski, Lt Leszek Pekala, and Lt Waldemar Chmielewski are charged with abducting and murdering Fr Popieluszko. Col Adam Pietruszka is charged with aiding and abetting his three subordinates. The four face possible death penalties.

Yesterday, Capt Piotrowski's secretary, Barbara Story, cast doubto n Col Pietruszka's denial that he tried to obstruct the investigation by concealing evidence apparently linking him to the plot. She said that before leaving Warsaw for the Torun area on October 19, the day the priest was kidnapped, Capt Piotrowski told her that "the reasons for his absence are known to . . . Pietruszka."

She later included this information in a statement for invetigators written four days after the kidnapping, but was told by an aid eto Col Pietruszka that the colonel wanted her to remove references to his involvement.

"I was afraid of Pietruszka," she said, explaining why she rewrote her statement. Col Pietruszka has pleaded innocent.

A Warsaw human rights monitoring group, in a letter sent to Poland's Prosecutor General last week, said five opposition activists from the Torun area were kidnapped and tortured last February and March by an anti-Solidarity organisation.

"There is a striking resemblance between the style of the crime in the series of Torun kidnappings and the plans of Fr Popieluszko's murderers for 'scaring' the priest," ti said.

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Computers oust pasta in southern Italy's Silicon Valley

Alan Friedman visits Bari's Tecnopolis, a new approach to regional spending

"ALL THOSE foreigners who when they think of Southern Italy conjure up pictures of pasta and olive oil and the Mafia should come here to Bari. They would see that we are capable of something more."

The speaker, an Italian academic, was referring to a special project just outside Bari, the commercial port on the Adriatic coast in the region of Puglia. Hundreds of Italian scientists, bankers, businessmen and politicians recently joined a high level delegation from California to celebrate the start of Tecnopolis, billed as an Italian answer to Silicon Valley.

The description of the Government-funded industrial and science park may be rather exaggerated: the sprawling new Tecnopolis may be impressive but it is unlikely to achieve Silicon Valley-style manufacturing successes. Nonetheless, the L29bn (£13m) complex of offices, laboratories and training quarters offers just the kind of promise which Italy's traditionally less developed South sorely needs.

The site is the fruit of 15 years of work and co-opeartion between the University of Bari, local businessmen and major Italian companies in the microelectronics field. The idea stems from a consortium of these interests called Csata, which was founded in 1969 and secured 100 per cent Government funding for the project four years ago.

Csata is a centre for applied research which seeks to bridge the gap between academic research and its industrial application. Its president is Prof Aldo Romano, a cheerful and bulky Barese who says Csata already has L9bn of annual turnover from its research projects with companies such as Alitalia, the national airline, Nuovo Pignone, the state engineering group, and Italsider, the steel company.

Most importantly however, Tecnopolis represents a new approach to state-funded aid projects. Formerly the Cassa per il Mezzogiorno, the Southern Italy development agency now being restructured, had often poured money into underdeveloped areas by commissioning massive construction projects.

The Tecnopolis project is different because it is designed to target Government funds at a specific goal, in this case the nurturing of high technology research and industry.

The fledgling Tecnopolis group has already embarked upon several projects with companies such as IBM and Olivetti. Last year Olivetti signed an agreement which calls for training and research collaboration in Bari in the field of information systems. IBM is also working with Tecnopolis on a research project concerned with image processing.

Prof Romano sees three main objectives over the next few years. These are to develop a network of research services for state and private companies involved in high technology manufacturing, to train local university graduates, creating a pool of talent, and most of all, to generate employment in the region.

The Tecnopolis board is asking Rome for a L340bn budget for the next three years, which would include infrastructure development (roads, schools, power services), additional research facilities, training centres and more.

Sig Salverino de Vito, the Government Minister for Southern Italy, said last week that Tecnopolis was "a model for the new style of development." He stressed the need for co-operation among the four groups most important for the development of Tecnopolis—industrialists, bankers, academics and politicians.

The Minister was unhesitant about committing himself to the Tecnopolis budget request: "Even if it costs hundreds of billions of lire, the resources will be guaranteed."

Perhaps the most striking aspect of the inaugural meeting at Tecnopolis was the presence of a 32-man delegation from Silicon Valley, including Californian politicians and executives from the Bank of America, Lockheed, McDonnell Douglas, TRW and small microchip companies.

The Californians could be forgiven for finding themselves at times confused. They were flown into what must seem a fairly remote part of Southern Italy if you live in Los Angeles or San Francisco. They listened to lengthy Italian speeches with rather less content than ceremony.

The meetings between brash entrepreneurs from Silicon Valley ("I started my company three years ago and we are heading for $150m sales in 1984") and the Italians betrayed a certain clash of cultures. In the end, however, it became clear that the Italians wanted to import technological know-how and learn from the experience of Silicon Valley. They were also sniffing around for investment.

The Californians were in Italy for a variety of reasons: some businessmen wished to explore joint venture possibilities in Europe, while others, perhaps unused to the ways of Italians, suggested that their presence was being "exploited so the people from Bari can impress the ministers from Rome to give them more money."

The verdict from several Silicon Valley delegates was that it was all very well to emulate their own phenomenon in Italy, but that the idea was unlikely to succeed. "I don't sense yet that the infrastructure here is conducive to small technology company growth. There is no venture capital here,' 'said Dr Dunne Kirkpatrick, a venture capital specialist from the San Francisco investment dealer Hambretcht and Quist.

Undoubtedly there is something in this statement. But the men from Tecnolopis say they want to progress slowly. "We need to fertilise Bari with technological ideas first. Hopefully we will obtain some investment later," said one research scientist. "The foreigners can see that this is a place to work and sell. There is a lot more here than just pasta."

Growing threat to Israeli wage and price freeze

BY DAVID LENNON IN TEL AVIV

ISRAEL'S VOLUNTARY agreement curbing prices and wages has begun to fray at the edges, two weeks before the end of the three-month deal which the Government is hoping to renew in negotiations currently under way with the trades unions and the employers' organisations.

The manufacturers of instant coffee, tea, cigarettes and beer were allowed to raise their prices 10 per cent yesterday, after they suspended sales and, in one case, halted production to press their demands. Last week, the Government increased the price of petrol by 10 per cent.

There is also trouble on the labour front. The staffs of a number of commercial banks are planning a one-day warning strike today to press their demands for compensation for salary erosion over recent months.

The Government is hoping to win the support of the union and the employers for a second agreement, following the success of the first package in bringing down the rate of inflation from over 20 per cent a month before the agreement to 3.2 per cent in December.

The tripartite follow-up committee composed of representatives of the Government, the employers and the unions yesterday agreed to the 10 per cent increase in the price of four staples, after a demand for a 20 per cent hike was rejected last Thursday.

The opposition came mainly from the Histadrut, the trades union federation. Mr Haim Haberfield, the chairman of the trades unions department, said that he objected to price rises because "the employees are continuing to work, despite the fact that their wages are frozen."

Dubek, the only manufacturer of cigarettes in Israel, halted production on Sunday in protest over the rejection of its request to raise the prices of its products, which had been frozen since the beginning of November.

Mr Zorek Gehl, Dubek managing director, complained that repeated requests to raise the price of their products have been rejected. "We decided that we had no alternative but to halt production. On every Shakels 100 we spend on public only 57," he said.

The instant coffee market dominated by Elite, hwo weeks ago stopped supplying its coffee to the supermarkets and shops. Similar action was taken by Wissotzky, the country's largest producer of tea. These actions created growing shortages for these staples.

Mr Eli Gurenstein, the marketing manager of Wissotzky, accused the wholesalers of trying to stockpile tea in anticipation of the price rises, which will be permitted before the new package is implemented. Supplies were halted to prevent this, he said.

A shortage of fresh meat is also expected. The Marbek slaughterhouse, which supplies most of the fresh meat in the country, decided on Sunday to raise its prices by 40 per cent, without obtaining permission from the tripartite committee.

With prices still frozen at the level prevailing 10 weeks ago, Israelis had been emptying the showrooms of motor cars and electrical appliances in recent weeks. One company which bought two new cars for its staff in the past month estimates that it saved $4,000 on each vehicle by buying while the price freeze is in opertion.

Car importers have sold their entire stock in the past month. They decided not to import any more because the gap between the price they pay overseas for the vehicle and the retail price has fallen below 20 per cent, which is the minimum margin which they regard as profitable.

The Israeli army in Lebanon may complete the first phase of its withdrawal before the announced February 18 deadline, according to newspapers quoted by AP yesterday. Meanwhile, a daybreak ceasefire yesterday halted night-long clashes in and around Beirut which left seven people dead and 15 wounded, reports AP from the Lebanese capital.

New Delhi defuses row with Britain

By John Elliott in New Delhi

A DIPLOMATIC row between India and Britain over the treatment of Sikh extremists in Britain has been defused in the past few days on the orders of Mr Rajiv Gandhi, India's Prime Minister.

Trade relations, including negotiations on key defence and other contracts, are now expected to begin to return to normal and ministerial visits will probably be resumed in April after state assembly elections. But a fresh upset in the relationships between the two countries cannot be ruled out over the Sikhs' activities.

"I have told Sir Robert Wade-Gery, the British High Commissioner, that there should not be any misunderstanding. We are for a friendly relationship and economic co-operation between our two countries in every possible way," Mr Gandhi's most senior adviser said.

Sir Robert was given this message on Wednesday after several weeks of behind the scenes diplomatic activity over what could have become the most serious upset between the two countries for many years.

The British Government now hopes that negotiations will be reopened to finalise a £85m ($95.2m) Westland Helicopter joint order from the Indian Oil and Natural Gas Commission and the Government, and on other possible defence contracts including Howitzer guns and Sea Harrier jump jets.

In other areas, British companies such as GEC, Rolls Royce, John Brown and Plessey are chasing sizeable orders for gas turbines for use in power stations and a cross-country natural gas pipeline, as well as aero engines, power transmission lines and telecommunications equipment.

Despite the recent unrest, Princess Anne is next month expected to resume a Save the Children Fund visit to India that was interrupted by the assassination of Mrs Indira Gandhi, and a general trade mission is also visiting India on February 2.

Economic and political ties between the two countries have been strong since India gained independence. They are bound by historical links and a common language, which make British businessmen and technology specially welcome

India uncovers 'wide ranging espionage network'

BY JOHN ELLIOTT IN NEW DELHI

THE INDIAN Government confirmed yesterday that some civil servants "insensitive positions" had been passing classified documents and reports through an Indian intermediary to "a nagent of a foreign power."

Speaking in Parliament, Mr S. B. Chavan, Home Minister, refused to name the foreign power which is assumed to be France since the French deputy military attache suddenly left the country on Sunday night.

Politically the administration of Mr Rajiv Gandhi, the Prime Minister, seems to be riding out the political storm of the spy scandal which is the second to be uncovered within a year.

The U.S. was named in the last scandal, which involved military information being gathered by two former senior forces officers. But both the U.S. and eWst Germany yesterday denied reports that members of their embassies' staffs were being expelled in addition to the French attache.

Mr Chavan told Parliament that "a wide ranging espionage network" had been uncovered. "Searches conducted in the course of the investigations have resulted i na number of classified and highly sensitive documents."

More than 15 civil servants and civilians have been arrested so far and some reports put the total at over 20.

It ise not yet clear whether the main aim of the alleged spying activities was only to gain secret information about defence and other foreign contracts for commercial reasons or whether there were wider espionage activities.

In Delhi such commercial information is sometimes bought by companies from civil servants although it is generally assumed that embassy staffs keep well clear of such activities.

Most of the civil servants arrested are personal secretaries, assistants and peons (messengers') of top officials of permanent secretary rank or just below.

The outer offices of these top level civil servants are staffed by a considerable number of these staff, almost always male and relatively poorly paid.

One of the businessmen arrested at the weekend was Mr Coomar Narayan of the Delhi office of S. L. M. Manekal and Company.

John Elliott reports on Rajiv Gandhi's crusade against a national attitude

India counts cost of corrupt contracts

"I ESTIMATE that between ½ and 2 per cent of a project's cost can be paid out in smallish sums to junior civil servants, to get files moving and gain information. Then, maybe 5 per cent or more is sometimes needed to buy the decision-maker," says an Indian representative of foreign companies in New Delhi.

He was speaking about the way companies buy favours from Government officials and politicians. Mr Rajiv Gandhi, the new Prime Minister, has set out to try to curb the country's deeply entrenched corruption. His main aim is to speed up industrial and economic growth by improving the efficiency of the Government machine.

He intends both to simplify bureaucratic procedures and to begin to stamp out corruption because both feed on each other. Most corruption is based on people paying officials and politicians to bend the rules and reveal secrets. But many officials and Ministers will not co-operate in streamlining procedures while they feel free to take bribes.

It is not yet clear whether the spy scandal now unfolding in New Delhi is involved with procuring defence contracts or with wide espionage activities. But the widespread corruption in the Government at all levels is well known.

In central government departments it falls into three categories. First, smallish payments of perhaps a couple of bottles of whisky, a suit length of material, or a small amount of money are paid to junior officials to persuade them to make sure that a client's file on a project is noticed by a senior official or Minister and moves swiftly through the bureaucracy.

Next, somewhat larger payments are made to junior officials to make copies of Cabinet committee documents or of rival bids for a contract. The ½ to 2 per cent of a project cost referred to could be spent on this sort of activity.

The third category involves "buying the decision-maker," and here substantial sums are mentioned—£1m not being thought too high. The decisions being bought or influenced could be the placing of defence or power contracts worth perhaps up to hundreds of millions of dollars, permissions for some company share transactions and permission for construction projects outside planning laws.

Several Ministers in the last administration of the late Mrs Indira Ghandhi and two top-level party officials are widely talked about in Delhi by diplomats and businessmen for having sought money from companies in return for favours.

Sometimes approaches to the companies were direct, sometimes through agents in India, and sometimes by Indians living abroad who approached foreign companies offering help.

The message—implied or explicit—was that the funds would be going to Mrs Gandhi's Congress Party funds. No one suggests that Mrs Gandhi took any money personally, though there is a widespread assumption that at least some of the Ministers and emissaries creamed off some of the money for themselves.

Money is also believed to have been generated by adding mark-ups onto international deals and often the money is said to have been paid into bank accounts abroad.

Rajiv Gandhi—drastic action

Most major companies competing for contracts in India are said to have paid some form of top level bribe — whether a few thousand pounds for general contacts including the arrangement of a meeting with the late Mrs Gandhi, or a few million pounds to Congress I for the award of a contract.

French, Italian, British, Korean and Japanese companies are reputed to be most willing to pay, roughly in that order, and no company really ever knows whether or not it could have won without the payments.

Now, with the weekend arrests of about a dozen civil servants following closely on Mr Gandhi's announcement of his new approach, fewer officials may dare to ask for bribes. Three businessmen who acted as agents are among those arrested, so Indian representatives of foreign companies may feel less inclined to offer money.

The immediate future of large-scale corruption in India therefore now depends to a considerable extent on the continued willingness of large companies — Indian as well as foreign — to provide the money to pay for favours, as well as on Mr Gandhi's measures.

Corruption in India goes back to the time when Moghul rulers, followed by British administrators and Indian officials, were showered with gifts by villagers as they toured their rural territories. Gifts were given in the hope that favours would follow.

Many Indians believe that those habits helped instil a basic attitude about bribing people in authority. Now it is extremely difficult to have a telephone installed or mended, obtain a gas bottle for cooking, or book a sleeper berth on a train without passing over about £1. This is not a tip for services rendered, but a brief to obtain the minimum service required.

I have been told by neighbours in New Delhi (though it has not happened to me) that engineers on the local telephone exchange tangle up the connections so as to be paid to correct them.

Stories about corrupt officials in villages and rural areas creaming off money from allowances and aid funds before it reaches the people for whom it is designed are frequent.

Corruption mushroomed during the Second World War when an unprecedented amount of money flowed around India, first on war contracts and then on surplus equipment sales. Later, development projects provided a new reason for offering bribes. Especially when India modified its policy of self-reliance in the 1970s and opened its doors to foreign companies.

This escalated in the mid-1970s with the encouragement of Mr Sanjay Gandhi, younger brother of Mr Rajiv Gandhi, who died in an air crash in 1980. It was at this time that the Congress I party began to depend heavily on illegal payments from companies for its funds. Companies are not allowed under the law to subscribe to political funds.

The money that flows from these sources, coupled with other money raised from tax evasion, makes up a massive black money economy in India that some experts estimate totals about half the size of the official Gross National Product.

There is considerable scepticism about how successful Mr Gandhi will be in his crusade. Past attempts at reform have failed. "Many payments will still continue because the successful middle man will continue to claim his money, and the client will not dare to stop paying," said one businessman.

"The real problem is the perception of the company which convinces itself it is spending its money wisely and therefore cannot persuade itself to stop," said another.

At a party in Delhi last night some businessmen debated the ethics of corruption and espionage. "Buying information about your competitors is all right. But espionage aimed at buying top-security information about a country is not," was their moral judgment.

EUROPEAN NEWS

Greek Cypriots hope for U.S. aid to restart talks

BY ANDRIANA IERODIACONOU IN NEW YORK

UNITED NATIONS and Greek Cypriot officials said yesterday that they pinned their hopes on renewed U.S. pressure on the Turkish-Cypriot leader, Mr Rauf Denktash, to achieve a resumption of summit talks with President Spyros Kyprianou by the end of February to reach a draft settlement on the Cyprus problem.

Four days of cliff-hanging negotiations between the two men at the UN last week ended in failure on Sunday, with the two sides unable to agree either on a future meeting or on the signing of a preliminary draft agreement. This was drawn up last November after three months of indirect bargaining with the mediation of Sr Javier Perez de Cuellar the UN Secretary General.

Sr Uerez de Cuellar proposed a second meeting before the end of February, after the collapse of the talks on Sunday. But Mr Denktash rejecte dthis.

In an interview yesterday, Mr Kyprianou said he has agreed to meet Mr Denktash as proposed by the Secretary-General, with "no terms." But he said he thought the meeting would have "a better chance of success, if we had an agreed list of items to be discussed beforehand."

Last week's summit failed to get off the ground as a substantive negotiation on the details of a settlement when Mr Denktash insisted that the two sides should first sign the November preliminary draft document, leaving further discussions on details to working groups.

THERE WAS widespread dismay in Cyprus at the breakdown of the talks, AP reports from Nicosia. "A unique opportunity has been lost . . . and instead of a settlement from New York there is an announcement of a wreck," said the independent Greek Cypriot newspaper Apogeumatini.

"At the same time the dangers of serious complications and crisis connected with Cyprus have increased immensely," it said, echoing views voiced in other local newspaper comment.

According to UN officials, he rejected a last-minute proposal by the Greek Cypriots to set a second meeting with Mr Kyprianou on a fixed date, to discuss four particular items relating to a settlement. Under the proposal, one working group would be set up in parallel to discuss constitutional aspects of a settlement.

Mr Kyprianou said yesterday that his government is counting on "contacts made by the Secretary General and interested governments such as the U.S. and Britain, in the next few weeks," to persuade Mr Denktash to come to a February meeting.

President Ronald Reagan was understood to have urged Mr Denktash to make the territorial and constitutional concessions last November which paved the way for last week's summit meeting.

The Cypriot President said yesterday that he has requested a meeting with Mr Reagan in Washington before the second half of February in order to put his case that further details, on issues such as Turkish troop withdrawals and guarantees of a settlement, must be negotiated before a draft agreement is signed.

According to sources close to the talks "informal conversations" in the margins of the main procedural argument which bogged down last week's talks revealed serious differences between the Greek and Turkish Cypriot positions on the two main issues: guarantees, and the right of free movement, property ownership and settlement throughout the island.

The Turkish Cypriots inist on the appointment of Turkey as a guarantor power for a future federal state. The Greek Cypriots reject this, citing Turkey's 1974 invasion and occupation of one-third of Cyprus as the reason.

The Greek Cypriot side is also anxious to ensure the return to their homes of approximately 170,000 refugees created by the invasion.

Investment set to rise by 4% in France

By David Marsh in Paris

FRENCH industrial companies expect to boost investment spending by 4 per cent in volume this year after a 9 per cent increase in 1984, following a cumulative fall of 22 per cent in the three previous years, according to a survey from the government statistics body Insee.

The buoyant investment figures, although welcome to the Government, concern only about 25 per cent of capital spending throughout the economy, however.

Total investment, including the spending of big nationalised enterprises like the electricity, gas and coal boards as well as the building, agriculture and service sectors, showed a much less healthy result last year, rising by only 0.5 per cent in volume.

Companies in the competitive industrial sector have been bolstering spending mainly in response to higher profits and improved liquidity than because of optimism about economic recovery.

Insee pointed out that the proportion of investment destined to expand capacity would continue to fall, with 13 per cent of spending geared to outright expansion and 19 per cent for adaptation to new manufacturing methods.

Commenting on the improved performance of the company sector—partly due to government success in holding down wage inflation—M Yvon Gattaz, head of the Patronat employers' federation, regretted French enterprises were still not doing as well as those abroad. Recently announced measures to help the building industry were badly needed because of its "catastrophic" state, he said.

Swiss trade deficit

The Swiss foreign trade deficit expanded by 14 per cent last year to reach SwFr 8.37bn (£2.8bn), writes John Wicks in Zurich. This is second only to the record trade gap of SwFr 11.3bn in 1980. Imports rose in nominal terms by as much as 11.7 per cent, as compared with an 11.1 per cent growth in total export value. After adjustment for price increases, actual import volume was up by 7.3 per cent and that of exports by 6.4 per cent

Soviet Union expects arms accord in Stockholm this year

STOCKHOLM – the Soviet Union expects a limited agreement to be reached at the European Disarmament Conference this year following a U.S. offer to conclude an accord well ahead of schedule, Soviet diplomats said yesterday.

The mandate of the 35-nation talks, part of the process set in motion by the 1975 Helsinki European Security Conference, is to devise ways of preventing war breaking out in Europe by accident or miscalculation.

The first stage of the conference is due to last until November 1986, but Nato diplomats said the US. had offered to conclude an accord on less complex issues in time for the 10th anniversary of the Helsinki agreement next August 1.

Washington indicated at the end of 1984 that it would be willing to conclude an agreement on the notification and observation of military manceuvres by August, but the alliance diplomats said there had been no official Soviet response.

The Soviet diplomats said yesterday: "We have been told to expect an agreement in Stockholm this year. Perhaps not in the next session, but perhaps in the one after." They declined to give details.

The conference's fifth session begins on January 29. The sixth session will run from May 14 to July 5.

Nato diplomats said the U.S.-Soviet meeting in Geneva this month clearly had a positive influence on the Stockholm talks, although the U.S. offer was made before the two superpowers agreed in Geneva to resume arms control negotiations.

Mr James Goodby, head of the U.S. delegation to the Stockholm conference, expressed optimism in an interview with a Finnish newspaper last week that the next session would lay the ground for a possible outline agreement by the spring.

Earlier, President Reagan had said the U.S. and its allies wanted a fair compromise at the Stockholm talks, but complained that Moscow had so far failed to meet them half way.

In a statement last Thursday, issued after a meeting with Mr Goodby, President Reagan accused the Soviet Union of indulging in propaganda at the year-old Stockholm conference.

Nato diplomats said that rather than simply castigating Moscow, Mr Reagan had wanted to warn the Kremlin that if a preliminary agreement was to be reached by August, the two sides must immediately start working on it seriously.

Some of Washington's Nato allies, however, appeared worried by the U.S. negotiating strategy.

Apart from an accord on exchanges of military information, Nato is willing to negotiate on a key Soviet proposal for a new declaration renouncing the use of force. Nato regards all other Soviet demands, such as a ban on the first use of nuclear weapons, as unacceptable.

The heads of the 16 Nato delegations to the Stockholm conference are due to discuss their negotiating strategy for the next session at a meeting in Brussels on Thursday and Friday.

The Stockholm conference began at a low point in relations between the two superpowers and was stalled until almost the end of last year over negotiating procedures.

Nato diplomats said working groups set up at the end of the last session had quickly gone into detailed discussion, but that wide gaps still remained between East and West.

Reuter

France halves trade loss

By David Marsh in Paris

FRANCE registered a visible trade deficit of FFr 19.8bn ($2bn) in 1984, less than half the 1983 shortfall of FFr 43bn, but still substantially worse than the official target 12 months ago of balance for the year.

The year finished with a seasonally adjusted deficit of FFr 661m in December against a surplus of FFr 800m in November, according to figures from the Industry and Trade Ministry last night.

Exports in December rose to FFr 75.1bn from FFr 74.6bn in November, while imports rose to FFr 75.7bn from FFr 73.8bn.

For the whole of last year, exports increased 17.7 per cent to FFr 851bn while imports climbed 13.6 per cent to FFr 871bn.

Although the Government missed its earlier target of overall equilibrium by a wide margin, trade in the second half of 1984 was in balance. The figure confirms the trend towards smaller deficits after the FFr 93bn shortfall in 1982 which was a major cause of pressure on the franc.

Swedish Socialists will stress jobs in poll

BY DAVID BROWN IN STOCKHOLM

SWEDEN'S ruling Social Democratic Party said yesterday it will stick to its traditional theme of social welfare, job security and neutrality in the run-up to the forthcoming general election campaign in an attempt to hold back the increasingy powerful non-Socialist opposition.

Despite the strong economy, declining inflation and lower unemployment, the Social Democrats are faced with a "fight to the last moment," Mr Bo Toresson, the party secretary, acknowledged yesterday.

The Conservatives, Centre, and Free Democrats have overtaken the co-called Socialist bloc by nearly 52 per cent to 46.5 per cent, according to the latest independent opinion survey. The Conservative Party has passed the Centre as the signle largest of the three major opposition groupings.

A recent pact between the Centre and the small Christian Democratic Party—which has thus far been unable to clear the required 4 per cent hurdle for parliamentary representation—has further strengthened the Opposition.

In an attempt to present a unified front, leaders of the three main parties appeared together for the first time late last week to table a parliamentary initiative to dismantle the unpopular wage-earner funds (profit-financed shareholdings controlled by the trades unions) inspired by the Social Democrats.

Despite its growing strength, however, the Opposition has failed to articulate the common platform and remains split on several issues including tax and energy policy.

The economy may prove to be a more compelling factor in the polls in September—Mr Toresson attributed the almost 5 per cent slip in Social Democratic popularity to concern over eight years of declining or unchanged real incomes. An increase would be essential to victory this year, he said.

Lisbon coalition braced for struggle with President

BY DIANA SMITH IN LISBON

SR MARIO SOARES and other leaders of Portugal's centre-left coalition are bracing themselves for a tug-of-war with the outgoing President, Gen Antonio Ramalho Eanes.

Lately and often, Gen Eanes has sharply criticised a Government to which he offered "institutional solidarity" when it was formed 19 months ago. The coalition has responded angrily.

The unusual sorties of a hitherto discreet President coincide with the rise of a new group, the ex-CNARPE (short for ex-National Commmittee for the Re-election of President Eanes), who, with his blessing, are trying to put together a national "Eanist" party.

The General's second presidential term expires in December. He cannot run for a third consecutive term, but means to stay in the political arena.

Renowned for playing his hand slowly and carefully, he has not specified whether he would actively head the new party and run for an office other than President—for instance, Prime Minister—or merely by a patron of the ex-CNARPE giving his approval to a chosen candidate.

Polls, however, show less than 30 per cent support for an Eanist party, in which Gen Eanes is not a declared candidate. This is little more than the Socialists and Social Democrats attract at their present height of unpopularity.

The President's sharpest critics consider that attempts are under way to upset the coalition enough to loosen its grip on the political and economic situation, provoking a crisis and one of two acts.

- Presidential resignation and early presidential elections with the Eanist movement hoping to triumph with a handpicked candidate; or
- dissolution of Parliament on the grounds that the country is ungovernable, and early legislative elections where the Eanists would expect to lead the field.

Turks doubtful about summit

BY DAVID BARCHARD IN ANKARA

TURKEY YESTERDAY described the breakdown of talks between Greek and Turkish Cypriots as a serious blow to settlement efforts and said it showed that the Greek Cypriot would undermine genuine efforts to solve the conflict.

Foreign Ministry officials said it was too early to predict what would happen next. "Mr Denktash left the matter in limbo in his statement in New York," said one.

The Turkish Press, however, followed Mr Denktash in his scepticism about the usefulness of another summit. A commentator in the influential daily, Hurriyet, blamed Greek Cypriot desire to return to the situation before 1974 when Turkish troops divided the island into two zones.

Greek Cypriot insistence on Turkish troops withdrawals and reluctance to admit Turkey as a guarantor of any settlement probably did more than anything else in the eyes of the Turkish public to deflate expectations about the New York meeting.

By dropping the idea of a "rotating presidency" which would alternate between Greek and Turkish Cypriots and by concessions on the numbers of Turkish Cypriots in the new civil service and Parliament, Mr Denktash had probably gone about as far as is politically possible in Turkey or northern Cyprus.

Any settlement will have to be a partnership between equals as far as the Turkish side is concerned and any suggestion that the Turkish Cypriots are a minority rather than sovereign members of a federation is unacceptable.

There is particular concern here about the effect of the failure on opinion in the U.S. Mr Denktash's willingness to sign the framework agreement drawn up in November is believed to be linked to efforts to improve relations between Turkey and the U.S. However, officials here reject the idea that there has been any pressure from Washington.

Since 1974, Turgs have viewed the Cyprus problem — which they see interms of the security and living conditions of the Turkish Cypriotos —as settled *de facto* by the partition

Hunt to retire from Falklands post

By Robert Graham

SIR REX HUNT, Civil Commissioner in the Falklands Islands, is to be replaced in September after having his tour of duty twice extended, the Foreign Office announced yesterday.

Sir Rex, who is 58, stayed on last year after pressure by the islanders, and with the support of the Prime Minister, Margaret Thatcher, it was agreed he should remain as Britain's chief representative until September 1985 when he will retire.

He is to be replaced by Mr Gordon Jewkes, currently British consul-general in Chicago.

The Foreign Office said yesterday the announcement was a routine matter. Last week Sir Rex presided over the island's legislative council which approved a new draft constitution that recognises the 1,300 islanders' right to self-determination.

Sir Rex arrived in the Falklands in 1980 and two years later he led the surrender of the British to invading Argentine forces. He was deported but returned triumphantly at the end of the conflict and since then shared responsibilities with a military commissioner in charge of the islands.

He has strongly defended the islanders' cause and to some in Whitehall his forthright support has been seen as a impeding the normalisation process with Argentina.

Coming in the wake of the islanders' endorsement of the new draft constitution, Mrs Thatcher is making it clear Sir Rex's replacement involves no policy change.

Space ferret fuels debate over intelligence control

Peter Marsh reports on the civilian and military overlap in space

THE MILITARY "spy" satellite that a U.S. space shuttle is due to lift into orbit tomorrow will fuel the debate about the increasing overlap of military and civilian space programmes.

Discovery, one of a fleet of three shuttles operated by the U.S. Government, will place into space a large signals-gathering satellite that will monitor electromagnetic communications between Soviet forces.

The craft is a member of one of the families of spy satellites that the U.S. and Soviet Union routinely place in space to eavesdrop on each other's activities. Besides the signals-gathering vehicles (called "ferrets"), other types of military craft obtain photographs, which are used, for instance, to monitor missile silos or the build-up of troops.

The Discovery mission is likely to reope nthe discussion about the convergence of military and civilian space projects. The shuttle fleet is primarily the responsibility of the National Aeronautics and Space Administration, a civilian agency, and this week's flight represents the first time in 15 missions that a shuttle will take into space a satellite which is wholly military in character.

There is nothing surprising about the military involvement. The $15bn shuttle development programme went ahead only on the understanding that the Pentagon would be one of the main users of the space aircraft.

In the Soviet Union there is little distinction between civilian and military space projects. For instance, some of the Salyut space stations, of which seven have been launched so far, have carried surveillance cameras operated by military authorities.

Some observers think that the Defence Department's influence could upset the character of the shuttle flight programme. For this flight, Nasa has imposed a strict clamp on virtually all details of the mission. This is in contrast to the open way in which the agency normally disseminates details about shuttle voyages.

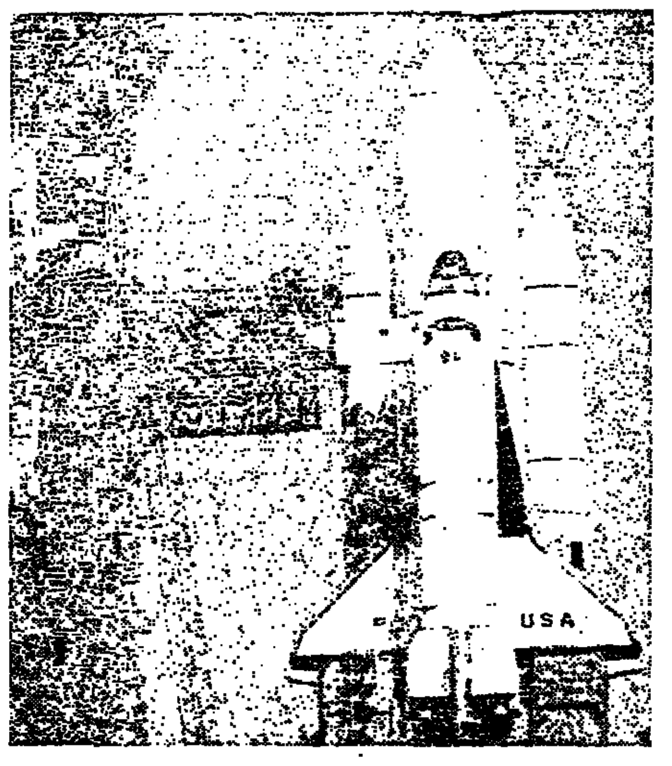
This week's mission will also focus attention on the way that space-based observation and monitoring is taking on an ambiguous character. Conventionally, such projects (as least in the West) have featured a clean divide between military and civilian operations.

The debate concerns not the signals-gathering ferrets but the military photographic satellites —which operate under priciples similar to civilian remote-sensing satellites such as the U.S.5s Landsat system.

The sensors on military spacecraft must capture fine details to do their jobs properly. Such vehicles generally have a resolution—the dimension of the smallest feature that the satellite can photograph—of 10 metres or less. In contrast, the current generation of Landsat vehicles has a resolution of between 20 and 80 metres.

Due to technical developments, the sensors on future civilan spacecraft are likely to be more sophisticated, and engineers are developing better computer techniques to "unscramble" the data on the ground to obtain finer details from the photographs. This is causing concern among Western governments which traditionally attempt to keep separate military and civilian space projects.

Military photographic satellites return pictures to earth, either by radio transmission or by parachute-drops of film collected by high-flying aircraft.



Space shuttle Discovery is made ready for an earlier civilian mission

In recent years, the Soviet Union has orbited an annual total of about 10 ferrets and 40 photographic craft. The U.S. normally launches about 10 of both types of craft each year, using conventional rockets such as the Titan.

The lower tally is because the U.S. satellites, of which the best known are the Big Bird and KH-11 photographic craft, can stay in space for up to a couple of years, while many of the Soviet vehicles burn up in the earth's amosphere after a maximum of six weeks because they are in low orbits close to the limits of the atmosphere, about 200 km from the earth.

U.S. Government officials fear that data from future civilian satellites could be used for military purposes. There are two possibilities: an unscrupulous satellite operator could snap pictures of sensitive U.S. military facilities and sell them to possible enemies; or a company could sell to foreign governments pictures from space of military installations in other countries.

Such information could be valuable in a war and could make more unstable trouble-prone parts of the world such as the Middle East. Efforts to stop this are enshrined in legislation enacted last year.

Ronald Reagan's atempts to make space activities more attractive to private companies, Congress passed the Land Remote Sensing Commercialisation Act, whose main purpose is to transfer to the private sector the Landsat satellites. The craft are now operated by the U.S. National Oceanic and Atmospheric Administration, a Government agency.

The legislation also sets out rules to govern the operation of future remotes-ensing satellites apart from Landsat that are operated by private companies. It gives the Pentagon powers to veto distribution of data from such craft on grounds of national security.

Eosat, the corporation formed by Hughes Aircraft and RCA to take over the Landsat system, says it is not worried by the regulations. The defence-oriented parts of the Act will have only a small impact on the way Eosat does business, according to Mr Charles Williams, its president.

Other people in the remote-sensing industry think that arguments over defence interests will intrude increasingly into the operation of civilian satellites.

"The defence establishments in the U.S. see a threat that the civilian community will push the state of the art in remote-sensing," says Mr Buzz Sellman, manager of international projects at Erim, a company in Ann Arbour, Michigan, that sells Landsat data to customers around the world.

Besides Erim, a number of other companies buy Landsat information from the U.S. Government and "add value" to it —either by computer-enhancement techniques or by adding to the data information from other sources such as ground surveys.

World sales of "raw" Landsat data either to such value-added companies or users such as agricultural organisations total only about $20m a year. But sales of value-added information based on Landsat data are between 10 and 50 times higher, according to estimates.

The value-added companies concede that military departments of governments account for a high proportion of their total sales. Such governments, particularly in Third World countries, require such data for mapping—either to plan for the defence of their own country or to plot campaigns in an adjoining territory.

Whatever the outcome of the debate between military and civilian wage, the overlap is likely to increase in future as organisations from other Western nations set up their own observation systems.

Spot Image, a company in Toulouse partly backed by the French Government, plans to orbit in October a satellite that will provide pictures with a resolution of 10 metres, and the 11-nation European Space Agency and Japan also plan their own civilian observation satellites later in the decade.

Abortion protesters gather in Washington

By Nancy Dunne in Washington

THOUSANDS OF "March for Life" demonstrators have descended on a Washington prepared to endure sub-freezing temperatures for a protest march today on the 12th anniversary of the U.S. Supreme Court decision which legalised abortion.

The marchers have gathered strength and numbers each year since 1974, when the first demonstrators appeared. Last year police estimated the crowd at 35,000, but march organisers said participation today may depend upon the weather, which is expected to continue extremely cold.

The march is the culmination of dozens of rallies across the country over the weekend to protest the Supreme Court decision. At the same time, members of the National Organisation for Women have been standing guard at 20 abortion facilities, which have been under increasing attack from "the fanatical fringe" of the right-to-life movement.

President Ronald Reagan, the first President to publicly condemn abortion since the Supreme Court decision, proclaimed last Sunday "National Sanctity of Human Rights Day." Healso agreed to speak today through a telephone link up to protestors(who will rally near the White House. The demonstrators will then go on to lobby legislators on Capitol Hill and demonstrate in front of the Supreme Court.

Overshadowing the various rallies and vigils was the arrest on Saturday of three men accused of bombing eight abortion clinics in the capital, Maryland and Virginia. At the residence of one of the suspects a large quantity of explosives was discovered, according to agents of the Bureau of Alcohol, Tobacco and Firearms, who had feared renewed attacks on clinics over the weekend.

The failure of Congress to approve a constitutional amendment prohibiting abortion or of the Supreme Court to reverse itself has led to frustration, confrontation and violence in the ranks of the "pro-lifers" who say that 15m foetuses have been killed since 1973.

Abortion clinics have become a favourite target of that frustration, with 30 bombed in the past two years. Protestors have broken in to others, chained themselves to examining tables, splashed paint in waiting rooms. One group of demonstrators pounded on clinic windows and conducted a mock funeral over a septic tank.

The arguments of the peaceful pro-life forces seems to have made some headway among the general public. A recent Newsweek magazine poll reported that 58 per cent of those interviewed (an increase from 50 per cent in the previous year) said they would support a ban on legalised abortion, except in cases of rape, incest and danger to the mother's life.

Newsweek also reported the emergence of a new group called, "Women Exploited by Abortion" for those who regret having ended their pregnancies.

Ex-Wall Street Journal reporter goes on trial

By William Hall in New York

MR R. FOSTER WINANS, the former Wall Street Journal reported accused of leaking share tips to contacts on Wall Street, went on trial yesterday in a New York Federal court. If found guilty, he faces up to five years in prison and a $10,000 (£9,000) fine.

Mr Winans, a contributor to the Journal's widely read "heard on the Street" stock market column, Mr David Carpenter, a former Journal news clerk, and Mr Kenneth Felis, a former stock broker at Kidder, Peabody, have been charged with conspiring to commit fraud by misappropriating confidential information on the timing and content of articles to be published. The Government has accused the group of making a profit of around $675,000 through their scheme.

The Government's principal witness is Mr Peter Brant, another former Kidder Peabody stockbroker, who pleaded guilt last summer for his part in the affair.

The Winans case has caused more than usual interest in the U.S. media since it has raised a number of questions about the adequacy of the disclosure of financial interests by U.S. financial and business journalists. There is considerable variation in the levels of disclosure required of journalists by the publications for which they work.

The current trial is expected to deal solely with the charges of criminal conspiracy and fraud. The issue of the adequacy of public disclosure of journalists' financial interests is expected to be addressed in a second trial, a civil action being brought by the Securities and Exchange Commission.

The agency charges that Mr Winans had a duty to disclose publicly to readers of the Journal his interests in the companies involved in the alleged fraud. Many journalists fear that if the SEC wins the civil suit they may be forced to disclose their own financial interests.

Nicaragua Indian guerrillas fail to show up for talks

BY TIM COONE IN MANAGUA

BY TIM COONE IN Managua

TALKS between the Nicaraguan Government and the Indian guerrilla organisation Misurasata failed to take place as planned in Bogota, Colombia, at the weekend.

Misurasata officials failed to show up for the meeting in which mechanisms to bring about a ceasefire between its guerrilla forces and government troops fighting on the Atlantic coast of Nicaragua, were to have been discussed. The Government is also working on an autonomy plan for the indigenous inhabitants of the region.

In the middle of last week Sr Brooklyn Rivera, the Misurasata leader, sent a letter to President Daniel Ortega calling on him to stop an army offensive against his guerrilla forces in the region of Zelaya Central on the Atlantic coast.

Sr Rivera was slightly injured at the beginning of the offensive in early January when meeting some of his local commanders.

The Government replied that it would not accept nor would it demand any pre-conditions for its participation in the bilateral discussions. During the first round of talks in December, Misurasata had launched its own offensive against government forces near the northern town of Puerto Cabezas.

Sr Luis Carrion, the Vice Minister of the Interior and head of the Nicaraguan negotiating team at the Bogoto talks, said before his departure for Bogota last Friday that the Government wished to continue the talks with Misurasata.

He said, however, that Sr Rivera's demands for an end to the Government offensive "was outside the spirit of the talks."

Misurasata officials in San Jose, Costa Rica, said another date for the talks has been fixed for "within the next two weeks now that the Government offensive has apparently come to an end."

The Ministry of hte Interior was unable to confirm whether a new date had been arranged until Sr Carrion returned to Managua.

WORLD TRADE NEWS

Setback for Waddington in parallel imports battle

BY CHRIS SHERWELL IN SINGAPORE

WADDINGTON, the famous British game manufacturer, has received an unexpected setback in its efforts to prevent a Singapore importer bringing its popular Monopoly and Cluedo games into the island state.

The case, with important implications for all foreign manufacturers which make their goods in Singapore or market them through licenced distributors, focuses on the growing problem of "parallel imports," in which other traders import the goods and sell them at a lower price.

According to one manufacturer, the outcome of the Waddington dispute could dictate the future of Singapore as a basing centre for foreign manufacturers, and is every bit as important as the entirely separate but equally controversial problems of counterfeit products and copyright in Singapore.

In the games case, three Waddington companies — John Waddington, the parent company, Waddington Games, proprietors of the Monopoly trademark, and Waddington International, which has a branch in Singapore — won an interim injunction last October after 559 sets of Monopoly and 531 sets of Cluedo were seized from a Singapore importer.

The games, made in England, had been purchased from a British export house and sold at a discount on sets made by Waddington in Singapore, which claimed that its Singapore-registered trademark was being infringed.

The Singapore High Court on Friday ruled against continuation of the injunction in respect of Monopoly, chiefly on the grounds that there had been no misrepresentation. Yesterday it made a similar ruling in relation to Cluedo.

As the case itself is still to come to trial, and Waddington has until Saturday to decide whether to lodge an appeal against the injunction decision, local traders involved in parallel importing cannot automatically interpret the court's view as approval for their activities.

But the decision is indisputably a setback for licenced distributors in Singapore who spend time and money investing in "goodwill" by promoting their products and setting up a retail network.

The options open to such manufacturers and distributors, if they cannot cut off the parallel importers' sources, are to cease advertising altogether, cut their own prices to drive the importer out or to leave the Singapore market altogether.

Waddington itself is believed to have acted already against the UK export house which supplied the sets of Monopoly and Cluedo.

It is also clear that further action by the company would hit the consumer, even though some will temporarily enjoy the parallel importers' lower prices.

The Monopoly and Cluedo developments follow in the wake of disclosures that Singapore's record pirates illicitly taped and sold copies of the charity song Do They Know it's Christmas ?, proceeds of which are going to victims of the Ethiopian famine.

UK, Sweden ahead in Austria air force bids

By Patrick Blum in Vienna

BRITAIN and Sweden have emerged as front-runners in bids to sell 24 Interceptor aircraft to the Austrian Air Force.

The deal could be worth Sch 3bn (£125m) and Lady Young, the British Minister of State for Foreign Affairs, who arrived for a three-day visit to Vienna yesterday, is expected to press the case for the British bid in discussions with the Austrian Trade and Defence Ministers.

Among the four bidders Sweden remains the favourite with an offer of Saab Draken fighters followed closely by the offer of Lightning aircraft manufactured by British Aerospace.

Chances of success for the other two bidders, France with Mirages and the U.S. with Northrop F-5s, appear to have considerably receded.

Of the four aircraft, only the F-5 would have been purchased new which makes it much more expensive than the others which would be bought second-hand.

The U.S. and French offers are expected to be dismissed mainly on finanial grounds, although there are also political pressures not to buy the American aircraft.

Some Austrian politicians argue that, as a small neutral country seeking to balance its relations East and West, it would not be appropriate for Austria to buy the aircraft from Nato's most powerful country.

The U.S. offer would probably cost in the region of Sch 6bn, twice the bid put forward by Saab (Sch 3bn) or by BAe (Sch 2.7bn). The French offer is lower than the American but higher than the other two.

The Austrian National Defence Council is thought to have established its order of preference on military grounds, but the final decision will rest with the Government and be taken mainly on the basis of commercial considerations.

Discussions about the aircraft to replace Austria's ageing Draken 105 have been going on for about two years. The complexities of the deal have caused delays in making the decision which is now expected early in the spring.

The sunbelt states are a magnet because of UK construction cuts

Aggregates turn to U.S. for growth

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

FACED WITH construction cuts causing sluggish demand for their sand, gravel and stone at home, UK aggregates producers are turning to the U.S. for growth.

As Tarmac goes ahead with its £65.7m ($79.3m) purchase of the Florida quarries of the U.S. cement producer Lone Star, RMC, ARC and Redland are also looking for acquisitions to expand their activities in the U.S.

They are following the same pattern which has already prompted Britain's cement companies to seek their fortunes "out West."

"We've had to face a 30 per cent decline in demand for aggregates in Britain in the past decade after being on growth for 25 years," said Mr David Taylor, the Redland director in charge of the company's aggregates activities.

"After reaching a record 300m tonnes a year in 1973, UK demand has settled down to around 200m tonnes a year now," he said.

"Since we've got hooked on to *growth, we've had to look* for other markets, and the U.S. is the honeypot as nowhere else in the world has a higher per capita consumption of aggregates."

The total market for aggregates in the U.S. is around 1.7bn tons a year, explained Mr Taylor, "and analysing where the market is, it's particularly in sunbelt states of the south and southwest. Recent figures show that California alone consumes 150m tons of sand, gravel and crushed stone a year, Texas 125m and Florida 80m."

Unlike the UK, where the low level of spending on roads and other construction projects means that demand for aggregates is low and predicted to remain static, the market in these sunbelt states with their major road and house building programmes is growing rapidly.

"During the next four years, we see a growth in the U.S. of 10-15 per cent a year compared with the flat market *in* the UK," said Mr Taylor.

"This is both because it's a growth area and because of the increase in highway finance from tax money dedicated to roads which cannot be used for other purposes."

The increase in gasoline tax as a result of the passage of the *Surface Transportation Act* with its revenue dedicated to improving America's roads will make an extra $5.5bn (£5bn) available for spending on highway construction every year for the next four years, he explained.

Redland made its first aggregate investment in the U.S. in late 1982, when it paid $70.4m for an 80 per cent stake in McDonough Brothers, the Texan company which became Redland Worth. Redland has since increased its stake to 87.5 per cent, with the remaining 12.5 per cent being held by Mr Bill Worth, the chief executive.

Based in the high-tech, tourist and military centre of San Antonio, the company is currently producing 8m tons of crushed stone a year and contributing between $10-$11m a year profit.

Redland is so confident in the growth of the market that it is investing $17m in new plant to increase capacity to 15m tons a year.

Redland is now looking for further acquisitions to add to Redland Worth. "We're looking for sand, gravel and quarrying companies in Texas to complement our existing investment," said Mr Taylor.

"There's no shortage of opportunities but they are likely all to be in Texas as our strategy is to build on what we've got."

Another British company, RMC, is also actively looking for aggregates companies in the U.S., in this case to extend its existing American concrete-making activities.

RMC's financial director, Mr Derek Jenkins, has "a number of companies lined up as possible acquisitions in Florida and North and South Carolina" to build on the present profitable —but small—activities in these states.

ARC is also on the lookout for expansion opportunities in the U.S. It, too, is looking for aggregates companies to buy, to build on its American quarrying and concrete manufacturing operations.

"We're very keen to expand our base in the U.S. because opportunities over there are far greater than here at the moment," Mr Stephen Clare, strategic development manager, said.

Asked whether ARC was deterred by the high value of the dollar, Mr Clare replied: "No, because you cannot alter long-term strategic objectives because of short-term exchange rates."

Or, as Mr Jenkins put it: "If you're looking for long-term investments and the opportunities arise, you've got to take them. You can't just sit back and wait on currencies."

French group shares in $40m China port orders

BY DAVID DODWELL IN HONG KONG

CONTRACTS worth almost $40m (£36m) linked with the construction of a deep water port in the Zhuhai Special Economic Zone on China's southern coast were announced yesterday.

Dragages et Travaux Publics, a French construction group, has been awarded a $15.4m contract to build the new harbour. A $7.3m dredging contract has, at the same time, been awarded to a joint venture between Dragages and two Belgian companies, Jan de Nul NV and Dredging International NV.

A nearby residential and commercial complex costing almost $18m will be built by Wan Hin and Company, a Hong Kong-based construction group.

The port development is part of the $64m Silverbay project in which the Zhuhai Special Economic Zone Development Company is in partnership with Gladhover Limited of Hong Kong and the China Nanhai Oil Joint Service Corporation.

Zhuhai adjoins Portuguese-administered Macao on China's southern coast. The authorities in the special economic zone have formulated development plans based on manufacturing, tourism, and providing services for the offshore oil industry—if and when oil is found in commercial quantities in the Pearl River estuary in the South China Sea.

The new port will be designed to provide berths for vessels of up to 10,000 tons. The Zhuhai authorities are also discussing plans for an international airport, a highway linking the zone with Guangzhou, the capital of Guangdong province, and improved electricity supplies and telecommunications.

A $25m glass bottle factory, and ventures linked with the manufacture of building materials, are also under discussion.

Europe groups fight to win Canada deal

By Bernard Simon in Toronto

LITTON SYSTEMS of Canada and Oerlikon-Buhrle of Switzerland have formed a joint venture to bid on a C$600m low-level air defence system for the Canadian armed forces.

The hotly-contested contract is due to be awarded by early April, according to the Department of National Defence. The Department is considering bids from seven separate European consortia led by group's including Bofors Ordnance of Sweden, British Aerospace and the French group Thomson CSF.

The air defence system will be used to protect two Canadian Air Force bases in West Germany and brigades deployed there and in Norway. The equipment is due to be installed by 1988.

Under the proposed Litton-Oerlikon venture, Litton will produce electronic sub-systems using Oerlikon technology at an existing plant north of Toronto.

Fokker awarded $115m Nato parts contract

By Laura Raun in Amsterdam

FOKKER, the Dutch Aerospace group, has received a $115m (£104m) order from Raytheon of the U.S. to provide electronic parts and maintenance for Nato's Patriot air-defence system.

The contract culminates two years of intense lobbyig on the part of the Dutch Government to capture some of America's "compensation" orders intended to help balance Europe's heavy reliance on U.S. military material.

The Dutch Air Force last year purchased Fl 843m (£210m) worth of Patriot launchers, rockets and accessories from the U.S., and The Hague is looking forward to compensatory orders.

Fokker will provide $65m worth of electronic parts and $50m in logistical upkeep

Lurgi to provide Spanish plant with engineering

Spain's Rentealde industrial group has chosen Lurgi of West Germany, a subsidiary of Metallgesellschaft, to provide engineering for a 265,000-tonne-a-year sulphuric acid plant, Reuter reports from Madrid.

The plant will come on-stream in 1987 at an estimated cost of Pts 6bn (£30m), replacing older facilities operated by Dow Chemical Iberica, the U.S. controlled group, and Sefanitro of Spain.

Rontealde is a five-member consortium in association with Lurgi, which holds a 10 per cent equity stake in the group.

The new plant will raise Spain's sulphuric acid capacity to 3.2m tonnes a year. Annual demand of 3.4m tonnes is estimated by the time the plant is operational.

● Thee Spanish Ministry of Economy has awarded a $7m computer contract to Groupe Bull, Honeywell's Paris-based European associate, our Trade Staff writes. The order follows the largest call for bids ever made by the Spanish Government in the field of data processing. It comes after the announcement earlier this week of a £33m contract for Honeywell computers from Britain's Department of Health and Social Security.

The Spanish order includes 17 DPS8 large mainframe computers and 57 DPS6 mini-computers together with 300 terminals and work stations. The equipment will be used for budgeting and accountancy and is due for installation by June 1985.

Norwegians sell cargo ships to U.S. Navy

By Fay Gjester in Oslo

IN A DEAL worth $52m (£47m), the Norwegian ship owners Wilh. Wilhelmsen have sold five "first-generation" roll-on/roll-off cargo ships to the U.S. navy.

Included in the sale price is the cost of modifications needed to meet U.S. flag requirements. A condition of the contract is that this would be done at a U.S. yard. Bethlehem Steel in Baltimore, have won the order.

Wilhelmsen has been negotiating to sell the five vessels for over a year. It won the contract from the U.S. Navy Marine Administration in competition with a number of other owners. After upgrading, the ships will be laid up as part of the Navy's reserve fleet — ready for rapid mobilisation in an emergency.

EUROPEAN NEWS

Andriana Ierodiaconou, Athens Correspondent, on the problems facing Greece's 'first major multinational'

The Greek state's hand in salvage plan for Heracles

THE HEADQUARTERS of Heracles General Cement, in northwest Athens, have the air of sleek prosperity which usually suggests private enterprise being allowed to lead a quiet, profitable life.

Sprinklers purr on immaculate lawns surrounding the modern, glass-fronted main building—the centre of a 67-year-old cement production and export operation which, by the early 1980s, ranked among the most successful in Europe. Just inside the lobby, a smooth sheet of water cascades into an artfully engineered indoor pool. In the cafeteria, orders are checked off computerised menu cards.

Appearances can be deceptive. Just over a year ago, Heracles was rocked by a financial scandal which ousted the family management that had run the firm for three generations, raised fears of a state pogrom against private capital, and permanently blotted relations between Greek businessmen and the socialist government of Dr Andreas Papandreou.

'George Tsatsos and Heracles —finished'

The Heracles affair broke on September 13, 1983, when six board members led by Mr George Tsatsos, the managing director, resigned after being sued by the National Economy Ministry for fraud against the state, breach of faith and the alleged illegal export of $110m in foreign exchange. Under a 1950 law, the fraud charges—which the Tsatsos family say they first heard about on state television—carry a maxmium penalty of death.

A massive brain drain followed, as virtually the entire top management of the company, handling finance, marketing, computers and other key areas, quit their posts. In one fell swoop Heracles lost "20 top people and 600 man-years of experience," according to M: Tsatsos.

To howls of "nationalisation through the back door" from the Greek business community—convinced that one of their own was being pilloried for political reasons—the management of Heracles then passed into the hands of the National Bank of Greece, the leading state credit institution and the owner of about 40 per cent of the company's shares. Other National Bank-related institutions owned an estimated 6 per cent, and the Tsatsos family about 18 per cent.

Heracles officials say that over the past 13 months, the National Bank has increased its overall control to close to 60 per cent, by buying up shares sold by private holders in the aftermath of the takeover. The price has dropped from Drs650 ($5m) to Drs 270 on the Athens exchange since September 1983.

The new Heracles management is now said to be working out a financial rescue plan for the company, which faces an acute shortage of working capital, in consultation with the Economy Ministry. The plan, which is expected to be completed by the end of the year, is most likely to take the form of an increase of Heracles' share capital by the National Bank, either through the conversion of debt to equity or a direct financial injection.

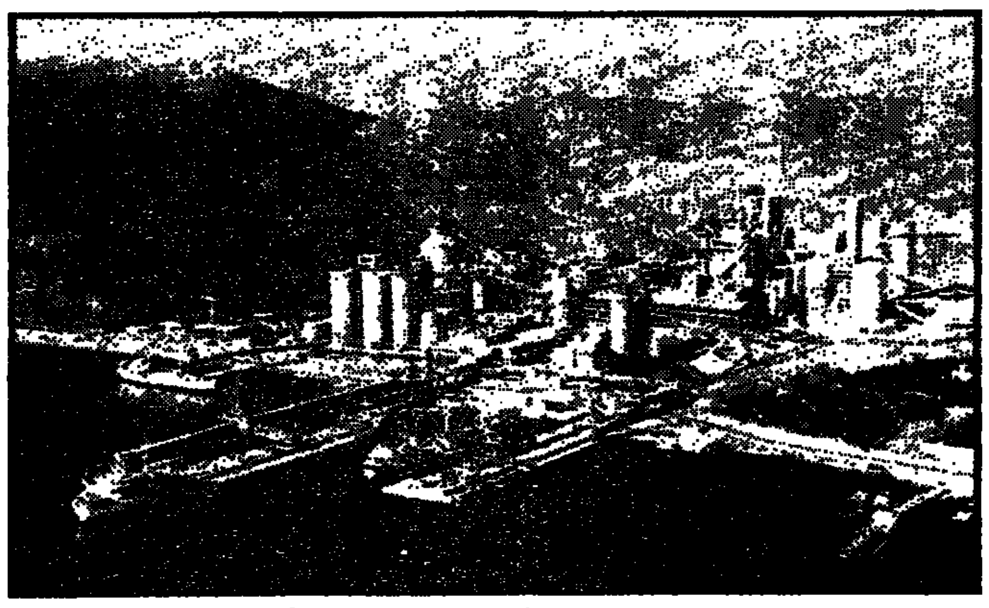
"When this happens, the Tsatsos family's shares will represent only 3 to 4 per cent. It's over. George Tsatsos and Heracles — finished." one Heracles executive said bluntly.

It is an ironic twist of fate for a company which came into existence through a business partnership initiated by the National Bank with Mr Tsatsos' grandfather, an enterprising chemical engineer called Andreas Hadjikyriacos, in the early part of this century.

The Heracles story began in 1917 when Mr Hadjikyriacos, a graduate of the Federal Polytechnic University in Zurich who had been trying his hand at cement ventures in Greece and Turkey since 1903, bought a Pireaus cement plant of that name which was in financial trouble.

Such was his success in turning Heracles' fortunes around that in 1927 Mr Hadjikyriacos was invited by the National Bank to work the same magic on its own ailing Olympos Cement Company in northern Greece.

The following year the two firms merged to form Heracles General Cement Company, where Mr Hadjikyriacos remain as chairman and managing director until his death in 1959. He lived to see Heracles rise to the position of Greece's top cement producer on the eve of World War II, only to collapse along with the rest of the country's cement sector by the war's end. The firm was then resuscitated with Marshall Plan aid, though not without shareholders having to forfeit dividends for 13 years, between 1941 and 1953.



Heracles General Cement's Olympos plant at Volos

Mr Hadjikyriacos was succeeded by his son-in-law, Mr Alexander Tsatsos, and eventually by his grandson, Alexander's son George. Throughout, the management of Heracles evolved as a largely family affair, though the National Bank retained the right to appoint four of the 15 members of the board of directors.

Today George Tsatsos divides his time between fighting the Economy Ministry lawsuit and hatching new business plans, which he says he hopes to be ablue to unveil in due course. His lawyers say they are confident, after having cleared successfully the first major hurdle in the case, the examination of evidence submitted by both sides by an investigating magistrate in September.

A three-member magistrate's panel must next decide whether the case should go to open court. The panel will rule, once the evidence has been re-examined by a public prosecutor. A political interpretation is bound to be placed on their decision, whatever it may be; the Tsatsos' September success provoked rumblings of discontent both within the Economy Ministry and in the left-wing Greek press, which had hailed the Heracles case as an example of a socialist crackdown against capitalist corruption.

A round-faced, effervescent man with a self-confessed passion for doodle art — his own efforts, framed, decorate his suburban Athens study — Mr Tsatsos describes Heracles as "the first major Greek multinational," built by expanding abroad since the mid-1970's to become a major cement distributor.

"We did it by constructing a whole network of terminals, shipping interests and know-how having to do with the cement distribution process," he elaborates. "Our aim was to integrate downstream in cement: like making films and having your own theatre."

According to Mr Tsatsos, this international expansion had to depend on a web of business relationships outside Greece. "Because of currency restrictions and so on, building such an international structure is impossible to do on your own," he explains. "It was built through a series of partnerships with Saudis, Egyptians and others in which they contributed money, markets, know-how and a close personal bond."

From his plush office, with a view of the lawns and trees outside, Mr Antonis Manganias, the company's present chairman, quietly dismisses these charges.

The soft-spoken, silver-haired Mr Manganias' style contrasts with George Tsatsos' bubbly enthusiasm; there is nothing of the excited entrepreneur here, only of the conscientious official anxious to do well by a company which employs over 3,500 people and is one of Greece's top industrial investment and foerign exchange earners. He would be quite happy, Mr Manganias says with a smile, to get back to his quiet desk at the National Bank, having done his job at Heracles, which he regards as a "major responsibility."

Mr Manganias argues that the company's problems began under the Tsatsos management; he points out that a six month report published in August 1983—one month before the National Bank takeover—already showed Heracles to be running a loss of Drs 468m.

He cites a 12.2 per cent volume increase in cement production and a 25 per ecnt rise in exports in 1983 to show that there is nothing fundamentally wrong with the operation of the company. Eight month figures for 1984 show a 37.3 per cent reduction in losses relative to the same period in 1983, while production and exports have continued to go up.

Mr Manganias and his colleagues blame the poor 1983 results, and the working capital problems facing Heracles, partly on the post-1982 slump in international cement prices, together with tight domestic price controls, which have kept the average per tonne price in Greece at about 60 per cent of that in Europe. They point out that all but one of the four major Greek cement groups were in the red last year, with total losses of Drs 3bn.

Heracles operates seven terminals in Saudi Arabia, Egypt and North Afirica. These offshore operations, Mr Tsatsos says, in turn feed business back to Heracles' 18 subsidiary companies at home, whose wide range of activities includes the management of cement carriers (some wholly- and many partly-owned) and their conversion into floating terminals, the proruction of cement bags and computer software, as well as construction, insurance and mining and quarrying.

In 1980, a decision was taken to diversify into coal as well. A five-year coal supply contract was signed and a sophisticated coal terminal (the largest in the eastern Mediterranean) and cenemt *plant complex built on* the Euboeia peninsula, which came on stream in Febraury 1983.

"I made a whole series of partnerships internationally, which worked out very well," Mr Tsatsos sums up. "We made a lot of money on some deals, we lost a lot of money on others, but the net was very positive."

In 1982, the year before the management change, Heracles ranked as Europe's single largest cement exporter. The company earned $105m in foreign exchange from the export of about 2.8m tonnes of cement, about half its output, and some $32m from toher activities. Profits in 1982 reached Drs 399.5m ($3m).

In 1983, there profits were transformed into losses of the order of Drs 1.29bn. At the first general meeting following the National Bank takeover, in July, private shareholders angrily laid the blame for the poor results on Heracles' new management, whom they accused of lacking the business acumen and experience of the Tsatsos family.

They also cite the crushing cost of servicing dollar debts of the order of $100m—about half of Heracles Drs 27.2bn total long term debt—inherited from the Tsatsos management, who borrowed heavily to finance the Euboeia and other projects. This cost was badly aggravated by the 15 per cent devaluation of the drachma in January 1983 and the subsequent steep slide of the Greek national currency against the dollar.

Their third, and most controversial argument is that the web of international agreements and partnerships which are at the heart of Mr Tsatsos' ambitions for Heracles were never more than a facade of ghost companies.

Mr Tsatsos, for his part, frankly admits that "clouds" in the form of cash flow problems had already begun to gather on the Heracles horizon before his departure. He blames this on the deterioration of the international market after 1982, as well as the Government's tight price policies, which he says are "destroying the cement industry" in Greece.

"I am happy I am not managing Heracles. I am not happy about the legal case against me, but I am extremely happy these people are facing the problems *and not me,*" *Mr Tsatsos says* with feeling. "The surest way to put me in jail now would be to put me back in the management of Heracles. I would go to debtor's prison for owing money to social security and labour."

He argues however that when he and his colleagues were ousted from Heracles, they were in the process of working out a salvage plan to tide the company through what he describes as the "big storm." According to Mr Tsatsos, negotiations were under way with foreign banks to reschedule debts, and there was thought of selling off unprofitable subsidiaries and "reshuffling the capital." Now, he says, the solution is likely to be that "of the sledgehammer: take public money and solve it."

In addition, Mr Tsatsos says he was trying to devise ways of mitigating the effects of the "admittedly disadvantageous" coal contract. "By last year, we had achieved an agreement to get half the coal at the contractual price and half on the spot market. We had also acquired new customers like the Public Power Corporation at high prices. So we were averaging down the supply price," he says.

Mr Tsatsos is gloomy about Heracles' future. The company's international operations, he predicts, will be stunted by the disruption of the business partnerships he had built abroad, which he considers vital.

"The essence of the case against me is that these were all a sham, designed for Tsatsos to line his pocket. But they were two-way streets.

"They involved advantages and certain obligations. The obligations have been maintained, but the positive aspects haven't been exploited," he says. "How can you maintain strength if you are fighting your partners and calling them crooks? It's like a bank at war with all its branches.

Most foreign bankers whose loan portfolios include Heracles are reserved in their judgment of the new management, pointing out that the firm was bound to have faced the objective problem of poor markets abroad and low prices at home anyway,

'I am happy I am not managing Heracles'

and that loan payments have been kept up without any problem since the National Bank takeover.

Their reluctance to participate in a rescue is confirmed by Mr Manganias, who says foreign banks are put off by the 1:10 equity to debt ratio at Heracles. "Some of them have their reservations, which I find justified," he says.

Most banks say, however, that they hope to keep working with the company. "We are all concerned that they should get their balance sheet act together. But it would be a pity to write Heracles off as a customer. It has been one of our best," one banker said.

Another is more cynical. "What we know about what is going on in Heracles is what we see in the newspapers. Your guess is as good as mine," he remarked. "But in our opiinion our exposure, of about $15m is as safe as it used to be, because it is now essentially a government company."

One can almost hear Andreas Hadjikriacos turning in his grave.

UK NEWS

Business cycle expected to maintain its pace

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

BUOYANT consumer lending and the rise in share prices have helped to persuade the Central Statistical Office (CSO) that the economy may not, after all, be set to slow down this spring.

Since last summer, the CSO has warned repeatedly that its monthly economic indicators suggested that the regular business cycle could reach a peak in the early months of this year. But it said yesterday that the latest batch of indicators, for November and December, cast doubt on this pessimism.

Its latest figures show that the longer leading indicator, intended to predict economic turning points a year ahead, rose in December for the fifth successive month. This recent steady rise reflects revisions to past data and follows a sharp fall in the early summer.

The shorter leading indicator, which looks six months ahead, has also recovered in recent months after a fall in the summer.

The CSO commented: "There is now no clear evidence of a turning point in economic activity in early 1985, as suggested in previous press notices."

The recent recovery of the shorter index largely reflects a rise in consumer credit, while the rise in the London stock market has influenced the longer indicator.

The change of view at the CSO vindicates the Treasury economists' contention that the economy was not heading for an early turning point, although they conceded that there would be some slowing down in the underlying rate of growth this year.

Officials are waiting anxiously for the results of the next Confederation of British Industry business survey, due out next Tuesday, for further evidence of the health of the economy.

One possibility being canvassed by government economists is that the recovery phase which began in the spring of 1981 may prove to be an unusually long one by the standards of post-war cycles. Already, this recovery has lasted almost as long as the record upturn

The CSO's more optimistic outlook follows a quite encouraging set of official figures for manufacturing output and consumer spending last week. They showed a 1½ per cent rise in manufacturing output in the three months to November, compared with the previous three months. Separate figures also showed a strong pick-up in consumer spending in the last three months of 1984, with a 2 per cent rise compared with the level in the third quarter.

The CSO's latest indicators, however, have not taken into account the recent sharp rise in banks' base lending rates to 12 per cent.

Changes 'may lower quality of BBC'

BY RAYMOND SNODDY

BRITAIN'S public broadcasting service, which has taken over half a century to build, could be dismantled in a matter of months, Mr Alasdair Milne, director-general of the BBC, said last night.

"The decisions to be taken in the weeks to come can, for good or ill, decide whether the British claim to be the best at broadcasting can any longer be justified," Mr Milne said.

Within the next few weeks the Government has to decide on the BBC's claim for a £65 colour TV licence fee and on whether the system of taxing the ITV (independent television) companies should be fundamentally changed.

Mr Milne, speaking to the Cardiff Business Club, warned that programme standards could not remain the same if all British broadcasting had to be financed from advertising.

The BBC did not reject advertising, but had a deep conviction that there should be one sector of broadcasting "in which programmes are not interrupted and in which the numbers of listeners and viewers are not decisively important."

Public service broadcasting at its best offered every part of the community a host of choices. If the BBC were to retreat into minority broadcasting, the most creative staff would leave, the Corporation's financial base would be undermined and its ability to compete with ITV on equal terms would be irretrievably eroded.

Mr Leon Brittan, the Home Secretary, will announce later this week that the Government has accepted the principle that there should be a new tier of small radio stations.

The main aim of the change of policy would be to clear the way for small neighbourhood radio stations and stations catering for ethnic minority groups.

Detailed consultations will be held with all groups affected

Price war starts for home computers

BRITAIN'S home computer industry is starting a price war amid fears that the market will fall sharply and competition from the U.S. and Japan will become much tougher, **Jason Crisp writes.**

Sinclair Research, the largest supplier of home computers in the UK, yesterday cut the price of the recently launched Spectrum Plus by £50 to £129.95. Acorn Computers, the other leading British-owned company, is expected to announce sharp price cuts for some of its range today.

The moves follow aggressive price cutting from Atari of the U.S. and a number of the Japanese companies before Christmas. Britain's home market continued to grow last year in spite of a very slow start to the pre-Christmas period, when the bulk of sales are made.

Most companies accept that, after three record years, the UK home computer business will be flat this year. Stockbrokers Wood Mackenzie estimate, in a paper published today, that home computer sales in 1984 were 1.7m units, up 200,000 on 1983. The firm expects a further 6 per cent growth this year. It says 18 per cent of UK homes have a computer.

Sir Clive Sinclair, announcing the Sinclair price cuts, said: "The home computer market is currently entering a very vigorous phase and we anticipate strong competition from U.S. manufacturers in particular."

Sinclair Research said it would stop selling the basic version of the Spectrum, of which it has sold more than 2m since it was introduced in April 1982. The Spectrum Plus is essentially the same computer with a better keyboard.

□ **OIL COMPANIES** announced an increase of 5p a gallon for bulk of purchases of diesel fuel, only a week after a similar increase. The rise is blamed on increased costs made worse by the fall in the value of sterling against the dollar.

BP commented: "Petrol price increases cannot be far away."

□ **LOCAL** government clerical workers are to have a pay increase of between 4.6 per cent and 5.6 per cent after binding arbitration. The award, to over 550,000 staff, will be backdated to July 1 last year and is a slight improvement on the employers' final offer of 4.5 per cent.

□ **VAUXHALL**, the General Motors subsidiary, is facing a strike threat from its 2,000 skilled workers over a plan by its sister company, Bedford Trucks, to cut 500 jobs and close a plant.

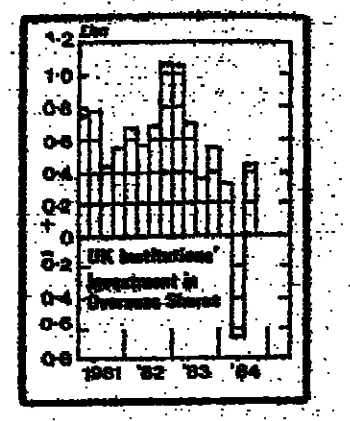
Members of AUEW, the engineering union, have voted to take industrial action if there are any compulsory redundancies among the 280 hourly-paid workers affected by the cutback.

□ **THOMAS COOK**, the travel subsidiary of Midland Bank, has kept its largest contract – making the travel arrangements for staff of the United Nations in Geneva. There had been speculation that Cook would lose the business to Kuoni, which was launching an aggressive counter-bid. Cook's involment with South Africa was also a matter of controversy in the UN.

Institutions resume investments in overseas stocks

BY OUR ECONOMICS STAFF

BRITAIN'S FINANCIAL institutions resumed their investment in overseas stock markets in the third quarter of last year, after withdrawing funds in the previous three months.



Figures released by the Central Statistical Office (CSO) yesterday show that non-bank institutions bought overseas ordinary shares worth £427m in the three months to September, with the bulk of the purchases made by pension funds.

In the second quarter, the institutions had withdrawn £630m from overseas stock markets, which the office said may have reflected profit-taking on existing holdings, perhaps prompted by sterling's depreciation.

There does, however, appear to have been a general slowing in investment in foreign shares after an initial surge in the years after the abolition of exchange controls in 1979.

The net flow of cash into the institutions, which include insurance companies, building societies and unit trusts as well as pension funds, rose by only £300m to £9.2bn in the third quarter.

The additional investment overseas was financed by much-reduced purchases of UK gilt-edged securities and by lower allocations to bank deposits.

At the same time the institutions increased their purchases of UK shares to £1.04bn in the third quarter, a record in cash terms and compared to £888m in the previous three months.

Over the first nine months of 1984 they put a total of £2.54bn into shares in British companies compared with £1.65bn in the same 1983 period.

Rates fall 'by year end'

BY PHILIP STEPHENS

BASE LENDING rates should fall from the present 12 per cent to around 10 per cent by the end of the year, but the immediate prospects remain highly uncertain, National Westminster Bank says today.

In its latest economic report the bank's chief economist Mr David Kern says that over the short term there remains a possibility that sterling could fall further, triggering additional increases in interest rates.

Beyond these immediate uncertainties, however, and providing the Government sticks to its medium-term strategy, the financial position should stabilise and gradually improve over coming months.

That should allow base rates to fall to around 10 per cent by the end of the year, particularly as sterling should improve slightly against the U.S. dollar.

In a separate review of the outlook for the UK currency broker Phillips & Drew also concludes that the pound will decline further over the longer term.

40% of miners now at work says coal board

BY JOHN LLOYD, INDUSTRIAL EDITOR

THE NATIONAL Coal Board (NCB) claims that the 1,850 miners who reported for work yesterday for the first time since the start of the pit strike brought the total at work to over 40 per cent of the membership of the National Union of Mineworkers (NUM).

The board says that about 76,000 men are now working, at 156 pits out of the 174 state-owned mines in the country, and that coal is being produced at 73 of these.

Yesterday's return, the NCB says, has brought the "drift back" to work to its previous highest level, which was last November. Over 7,700 men are said to have abandoned the strike since the start of the new year.

It was, without doubt, a black Monday for the NUM: at three pits – Kiveton Park and Kellingley in Yorkshire and Killoch in Scotland – a large number went back as an organised group. This was despite an appearance at Kellingley at the weekend by Mr Arthur Scargill, president of the NUM, in an attempt to rally support for the strike.

The North-east of England continues its trend as the area where the miners' previously solid stance is crumbling most rapidly. Some 665 miners returned to pits in Northumberland and Durham for the first time – the 5,000-plus miners now regularly reporting for work represent about one in four of the area's 20,000 miners. Mr Scargill spent the end of last week touring the coalfield, speaking to packed and enthusiastic rallies, but the unconverted still return.

In South Yorkshire, where nearly 2,400 men are at work, 150 "new faces" crossed picket lines yesterday at Kiveton Park colliery, swelling the ranks at the pit to – the NCB claims – 381 men, or about half the workforce.

Mr George Smith, the NUM branch secretary at Kiveton Park, said last night that he was "saddened" to see that four of the new faces had been "front-line pickets since day one." But, he said, "our stance here has not changed and, out of those who have gone back, only a handful are face-workers."

In North Yorkshire, 70 men went back at Kellingley, the UK's biggest producer. In the Barnsley area, Denby Grange went back into production for the first time – the first in the area to do so.

The total of working miners in the four Yorkshire areas is still, at about 4,500, less than 10 per cent of the total. But area NCB officials were jubilant enough yesterday to claim that this was the turning of the tide.

In Scotland, the board claims that 3,635 of its miners have returned to work, about 30 per cent of the area total.

South Wales continues to show a tiny "drift back" – only 22 "new faces" turned up at the area's pits yesterday. But in North Derbyshire, a further 215 new faces reported, bringing the area – once relatively solid for the strike – up to between 50 and 55 per cent at work.

The overall return has taken the board by surprise, just as much as it has dismayed the NUM. The figure of 15,000 returning in January, once mooted and then dismissed as wildly over-optimistic, is again seen as realistic if yesterday's jump in the figures can be carried through. Board officials up and down the country are talking openly of the end to the strike being in sight.

Working area seeks Scargill meeting

BY DAVID GOODHART, LABOUR STAFF

A NATIONAL Union of Mineworkers (NUM) branch in the heart of the working south Nottinghamshire coalfield, is asking Mr Arthur Scargill, the union president, to address it on the divisions between the national and area leadership of the NUM.

Mr Arthur Scargill

The controversial decision was passed by 34 votes to 17 at Pye Hill colliery in the face of strong opposition from local union officials especially Mr Colin Clarke, one of the leading figures in the National Working Miners Committee. The area leadership has recently refused an offer to meet Mr Scargill.

Although the invitation from Pye Hill again underlines the diversity of views among Nottinghamshire miners all groups now seem to accept that the split is inevitable.

Working miners who are opposing the establishment of a new union have so far failed to muster very much support for an area ballot on the subject, but some officials still hope that branch meetings before next week's area council could swing behind the idea.

If that is not accepted there may be attempts to persuade the area council or area executive to take legal action to block the disciplinary rule 51 which was the cause of the Notts area decision to drop the overriding authority of the NUM from its own rule book.

Discussions later this week between NUM leaders and the South Derbyshire and Leicestershire areas could yet prevent those areas splitting off. But the new structure for the executive, reducing the representation for some of the smaller right-wing led areas will be voted on at the January 30 special conference along with the expulsion issue – which will further alienate the working areas.

Mr Jim Robinson one of the leading South Notts strikers said that a realistic figure for the number of miners likely to remain in the NUM in Notts was about 3,000. "But after a few months on their own a lot of people will realise that they are better off with the protection of a national union and they will come back," he said.

CONSERVATIVE SUPPORTERS PUZZLED BY 'CAPRICIOUS' GOVERNMENT ACTIONS

Tory loyalties feeling the strain

BY PETER RIDDELL, POLITICAL EDITOR

"MY LOCAL council has kept within all the official targets, yet its grant and capital allocation have been cut in total by nearly a third. The Tory leader of the council has issued a public statement attacking the Department of the Environment and he and his colleagues want to see me. I can't explain the cutback, let alone defend it," one minister representing a rock-solid Tory seat recently complained.

His comments are typical of those now being made by many Tory MPs from the party's heartlands in southern England. They report embarrassed conversations with local party stalwarts – constituency chairmen, local councillors and the like – who are puzzled and increasingly angry over what they see as capricious and unfair actions by the Government.

It would be misleading to dismiss these rumblings as merely the protests of "wets" or special interest groups – with middle class privileges under threat. This has sometimes been the reaction of Mrs Margaret Thatcher's camp to recent backbench rebellions. Of course, the longstanding critics of the Government, Mr Edward Heath, the former party leader, and others, have merrily joined in and some of the arguments have concerned middle class pockets.

But the significant feature is that the unease reported by MPs comes from the heartlands, from prominent local activists who have previously been unswervingly loyal and have never been heard to criticise Mrs Thatcher and her strategy.

The first public signal was in the flood of letters to MPs provoked by the proposal suddenly to increase parental contributions to students grants and fees. This forced Sir Keith Joseph, the Education secretary, into a tactical retreat, while preserving the principle of higher contributions and advancing the idea of student loans.

The other main source of complaint has been local government. A large number of MPs rebelled a year ago over the rate (property tax) support grant settlement. Although the Government has moved in their direction, the underlying cause of complaint has not been removed and was masked by the very limited revolt last week over the latest settlement.

Many MPs are holding fire until the more important issue of local authority capital investment is considered by the House of Commons. Mr Patrick Jenkin, the Environment Secretary, was attacked just before Christmas when he announced a freeze on the use of a proportion of local authority receipts from council house sales. Many MPs have faced angry local Tory councillors who feel outraged that their authorities are being penalised despite keeping within official targets.

A Commons motion protesting against the proposal has already attracted well over 60 signatures from MPs right across the Tory spectrum. MPs responsible for party discipline in the Commons are apprehensive about the scale and strength of the opposition and the Government is holding back the detailed orders implementing the decision, possibly for five or six weeks, in the hope of mininising the opposition.

There are several other problems on the horizon:

- A forthcoming transport bill has been delayed, partly in the hope of dealing with some of the fears of rural Tories about a threat to their local bus services
- The possible development of Stansted in Essex as London's third international airport has aroused the anger not only of East Anglican Tories but also of some northern members who favour the expansion of Manchester. In addition, many of the Tory members west of London equally strongly oppose the development of a fifth terminal at Heathrow.
- Speculation about the possible taxation of occupational pension schemes, notably lump sum payments, has led to a flood of letters and phone calls to MPs, almost rivalling the scale of the protests on student grants. A normally super-loyal senior Tory backbencher has given a warning of an even larger Commons protest if such a tax is introduced in the spring budget.

The political implications stretch well beyond the problems faced by the Government's business managers in the Commons, important though these are.

First, there is the possible impact of unrest among Tory controlled councils on voters. The cutbacks provide a big opportunity for the Social Democratic Party Liberal Alliance in the county elections this May and in any parliamentary by-elections which occur.

Second, the confusion and anger among prominent local activists may lead to an unwillingness to turn out and help the party in elections. During the Enfield Southgate by-election some party members apparently refused to put up posters and canvass after the student grants row.

The extent of such disenchantment should not be exaggerated and these local stalwarts do not disagree with the Government's overall strategy. They are right behind Mrs Thatcher over the miners' strike, tax cuts and other issues.

Yet there was similar grassroots unease and disillusion in the early 1970s, promted in part by Mr Peter Walker's reorganisation of local government.

Compromise sought over election

BY PETER RIDDELL, POLITICAL EDITOR

HOME OFFICE ministers and Labour Party "shadow" spokesmen hope to reach a compromise agreement this week on the Representation of the People Bill. This would permit the Bill's committee stage to start without the threat by Labour of continuous debate, which would disrupt the whole of the Government's legislative timetable.

The Bill proposes a series of changes to the electoral law, including an extension of votes to holidaymakers and to British citizens who have been resident abroad for no more than seven years. Candidates at parliamentary elections would also have to pay a deposit raised from £150 to £1,000. But his would be coupled with a reduction in the level of votes cast for a candidate below which the deposit would be forfeited – from 12½ per cent to 5 per cent of the total vote in each constituency.

Labour and other opposition parties object to the raising of the deposit and some other aspects of the Bill, in particular to the extension of votes to overseas residents.

The complication for the Government is that the committee stage is being taken on the floor of the House of Commons and, in theory, could be endless, thus disrupting other Bills and debates in an already crowded timetable.

The measure received its second reading in the Commons six weeks ago, but a stalemate has developed between Mr Leon Brittan, the Home Secretary, and Mr Gerald Kaufman, his Labour shadow, over how to proceed with the Bill.

The indication is that the Government is now willing to compromise and amend the most contentious items to secure an agreed Bill, which could then pass relatively quickly through the Commons.

In particular, ministers seem ready to limit the increase in the deposit level to £500, although this might be opposed by some Liberal MPs.

On the question of the vote for British residents overseas, there is still some uncertainty since Labour is pressing for the whole clause to be dropped. A possible compromise is the reduction in the qualifying period spent abroad, possibly to three years.

The Government also seems ready to drop its proposal for reducing the time for voting in parliamentary elections by closing the polls at 9pm, rather than 10pm as at present. The Labour Party objects to this change which it believes would penalise its supporters.

State industries face squeeze on finances

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

A PUBLIC expenditure White Paper (policy document) to be published tomorrow will show that the Government is determined to press ahead with its campaign to squeeze more money out of nationalised industries.

The latest plan, for years up to 1987-88, envisages that the nationalised industries should start repaying their borrowings from the Government for the first time.

This will require substantially higher profits from the electricity and gas industries as well as a major reduction of the coal industry's losses.

The White Paper plans will show that public spending as a whole will not be allowed to rise during the period, and that inflation is assumed to fall to 3½ per cent by the end of the period.

The planning total allowed for 1987-88 will be around £141bn, a 24 per cent rise in cash terms, compared with the out-turn for the last financial year (1982-83).

The White Paper is likely to reveal a considerable overrun of spending estimated for the present year compared with the last White Paper plans.

It will also show:

- A tight squeeze on defence spending, which will not be allowed any rise in real terms in the final years covered by the review.
- A revised and tighter target for the reduction in the number of civil servants up to April 1988.
- Tight assumptions on the rise in social security benefits which could open the possibility of a squeeze of benefit levels in later years.
- A continuation of the asset sale programme at the rate of about £2bn a year.

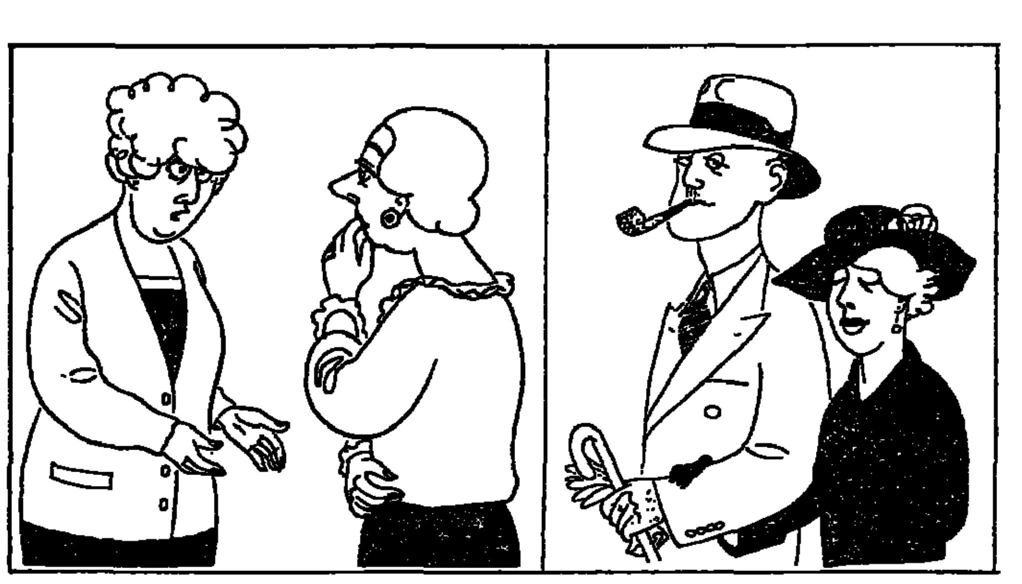
THE ARTS

Folio Society/Royal Festival Hall and RCA Prints/Barbican

The illustrator as artist

Illustration is as old as pictorial art itself; which might appear to many people to be but different sides of the same thing—for surely an illustration is a picture is an image is a representation *is* an *illustration*? Yes, but it rather depends upon what you mean by illustration. For critic or rival lightly to dismiss the honest painter's work as mere illustration is to cut deep indeed.

The reasons for such simplicity are complex, having as much to do with the artist's intentions towards his work as with the actual quality of what he does. For the *soi disant* artist sees the illustrator as hardly his own imagination's man, as he does the designer with his brief, or the craftsman with the functionary requirements of his trade. And mere illustration, therefore — work that is shut in by reference and consideration external to itself —may appear something less than truly creative.



Two drawings by Nicolas Bentley for Diary of a Provincial Lady (Folio Society 1979).

Naturally, several points get overlooked in the excitement: artists are not strangers to waiting upon a client, accepting and serving a brief, doing the job more or less well, yet they do *so without feeling the imagination* necessarily inhibited or compromised. Great artists have always responded to a particular stimulus, whether looked-for or unexpected, and it is what they make of it that matters. The trick is to serve and yet to stand aside, to shed light on the material illustrated and yet to preserve autonomy and dignity, that the work may be seen also for itself and on its own terms. In our deeply literary British culture, in which even the *academic study* of visual art is so often preoccupied with iconography, interpretation and story-telling, it is a trick that can be rather difficult to bring off.

But it is from time to time, and by familiarity and general affection and esteem certain artists who are essentially illustrative in their work find themselves granted a kind of special leave to enjoy the higher status, as they were not dogs at all but salukis. So the *mastery of Hogarth, Rowland*son, Daumier, even Matisse, is acknowledged almost in spite of its subject matter, and its line, its wit and discretion and formal control speak for themselves. We ned look no further for explanation or justification of the pleasure we take in such work; and the curious thing is that as we move away from too tight, literal and limited a reading of the work, so its illustrative function, which was always undeniable, assumes a proper importance, not over-riding or exclusive but relative, part of a whole; and it becomes possible not only to see it but to take it seriously once more.

Too many artists, however, are not so lucky. James Gillray, for example, was one of the most remarkable draughtsmen that this or any country has produced, and though much admired and enjoyed as his work is, the appelation "caricaturist" still sets him unthinkingly at rather less than his worth. In our own time there are artists who, because they have chosen to practice for the most part in the fields of illustration, reproduction, print and water-colours, have yet to be seen as the consider*able artists* they are, and *it is* unlikely they will ever get their due recognition. Edward Bawden's work as a war artist, for example, which was the subject of an excellent show at the Imperial War Museum a while ago, was more than merely distinguished, indeed remarkable enough on its own to declare him one of the foremost artists of his time, had it not all been carried through not as line and water-colour on paper, but oil on canvas. He has always been the most active of illustrators; and there are others, too—taking just a name or two from that same generation—Edward Ardizzone, Eric Ravilious, Barnet Freedman.

The Folio Society to its infinite credit has always treated illustration with a proper seriousness, as a necessary constituent of the Book, no matter that it may be discreetly admitted or lavishly indulged; and if there have been times when its scope has narrowed, it has never lost sight of that first principle that the illustrator is an artist or he is no illustrator at all. The Folio Festival of Illustration is now taking place in the Upper Foyer of the Royal Festival Hall (*until February 3*) and features the work of all those artists, more than 100 of them, who have been commissioned by the Society over the years.

It is always invidious to pick out names in such a case, and in doing so now all I try to suggest the strength, range and quality embraced by that long list: Bawden, of course, and Ardizzone, and Ronald Searle, Harold Jones, David Hockney, Chloe Cheese, Peter Blake, Reynolds Stone, Philippe Julian, Alistair Grant, Marcel Vertes, Quentin Blake, Elisabeth Frink, Paul Hogarth, Mervyn Peake, Feliks Topolski, Osbert Lancaster, Michael ffolkes, Lawrence Preece, Carel Weight, Duncan Grant, Linda Kitson, *Nicolas Bentley*.

*

Print-making and illustration naturally, have always consorted happily together, and almost all these artists, even in so partial and arbitrary a selection as this, might just as well be known as etchers or lithographers or whatever. Alistair Grant indeed is professor of printmaking at the Royal College, and it so happens that he and his colleagues are responsible for another large *anthology* on view at the moment, at the Barbican's Concourse Gallery (until March 5). With its funds uncertain and cut back, the RCA has now taken to raising funds on its own account for student bursaries, and this particular exer*cise draws on the extraordinary* collective strength of all those artists who, in various ways, as student, guest or teacher, have been associated with the department over the years. And again the point is very well made, that the individual concerned is always artist first, specialist second.

The show is supported by United Technologies: and the list of participants is again a Who's Who of sorts of recent British art — Moore, Hockney, *Hoyland*, *Berg*, *Irvin*, *Blake*, Jones Bellany, Paolozzi, Huxley, Tindle, Tilson, Heron, Caro, Zandra Rhodes. Much of the work is for sale, from £50 to many thousands; and it includes five folios that each contains five original prints, £350 the folio or £1,600 the lot. There are also some smaller folders on individual artists at £10, each with one original and a set of reproductions.

One final recommendation: in the small upstairs gallery at The Photographers' Gallery, a small, elegant show to celebrate Paul Tanqueray's 80th birthday remains up until the end of the week (January 25). The work of the great Hollywood studio photographers, Hurrell, Willinger and the rest, has enjoyed a great revival lately, but we shoud not imagine that work of comparable quality was not being done here at that same time, for all that it was directed more at the worlds of theatre, fashion and society than of cinema. Its flavour was subtly different, too, less hard in its glamour, and less ascapist, wittier perhaps, and more gentle. Beaton was the star, we know, but Tanqueray saw it all too, and in the 20s and 30s ceded nothing to Beaton in delicacy or invention. And here they are still: Vivien Leigh, Greer Garson, Gertrude Lawrence, Mrs Baillie Hamilton and Lady Pamela Finch Hatton, and Beaton's own two lovely sisters, Baba and Nancy, time and again.

WILLIAM PACKER

Tippett/South Bank

Max Loppert

Michael Tippett is 80. Sunday's "Day of Tippett," organised by the London Sinfonietta, set off a week of celebratory concerts on South Bank Musicians, and particularly musical promotion organisations, are apt to take note of anniversaries far too readily and too copiously (one wonders whether, by the end of this bumper year of Bach, Handel and Scarlatti, a wave of revulsion against all three may not have been unwittingly aroused.

But the very thought of Tippett's birthday raises the spirits. For his survival to a great age, in amazing health and with all his creative powers in full flourish, seems almost to be the physical emanation of his own music, which teaches "an age of mediocrity and *shattered dreams*" (Tippett's phrase) how to survive—and, much more than that, how to rejoice in and through music once more. This is a personal response, but it is not unique. The excellent Sinfonietta programme is headed with many better-expressed short tributes from notable Tippett-lovers: and in the current Musical Times there is a wonderfully fresh and moving, longer one by Paul Driver.

The celebrations have been global; the Fourth Piano Sonata, the European premiére of which brought Paul Crossley's Sunday afternoon recital at the Elizabeth Hall to its climax, had in fact been given first at Los Angeles earlier in the month. (Tippett is now an American composer almost as much as an English.) The new sonata sums up all the things one rejoices in. Of the earlier ones it provides a natural completion, even a compendium (as Crossley's magnificently authoritative playing of all four here demonstrated). It is the longest (more than half an hour), the widest in range, the fullest in its exploration of the instrument, the one with the most fully engaging "scenario." On a single hearing not everything about it was understood, yet it was immediately "there" in the way the best of Tippett has always been.

A five-movement span proclaiming distant kinship with Shostakovich's suite quartets, it is a work which appears to derive inspiration from the very touch of the piano — the opening, a diminished seventh resonantly spanned across a wide compass and gradually expanded into a downward florid sweep, is an innately pianistic gesture that summarrises the search for radiance and lyricism subsequently undertaken. The first two movements, "medium slow" followed by "medium fast," explore the possibilities of that gesture, now in dancingly contrary two-part writing (a typical Tippett piano mode), now in pauses for magical repose, the air gently shimmering with sustained resonances.

The heart of the sonata is found in the third movement: at the centre of its wide-spaced, open-interval chords, bluesy curves start to unfold, later to be confronted with bursts of hammering, "sudden, *strong.*" This noble meditation comes to rest in another single gesture of purest mastery, a compression of all previous concerns, a moment of the most intense quiet communication. What follows releases energy thus accrued, in a scherzo tripping fast and light, its momentum set off and then drawn back with delightfully good-humoured ease.

In all of this Fourth Sonata one feels that Tippett has forged new ties between the world of Beethoven and Schubert and the "new worlds" of his own recent large-scale works; and if the slow final set of theme and variations failed to disclose its concluding, completing purpose, the first time, one was left in no doubt that its eventual illumination will be delayed no further than the next encounter.

For in the evening Sinfonietta concert at the Festival Hall conducted by David Atherton we heard the Triple Concerto; and with it came the remainder of Tippett's continuing power, as Paul Driver puts it, "no less than ever (to make) Idiot Questioners of us all." Strange indeed that the percussive, jazz-tinted interruption of its slow-movement idyll could ever have been (as it was) criticised: in this performance, and despite committed but imperfectly euphonious playing by the viola and cello members of the solo string trio, the *work moved as* a whole in successive stages of unarguable inevitability. As if to push the point home, the Day of Tippett ended in glory, with a masterly account of *The Visions of St Augustine*, a work of fiercely complex surface whose inner core shines clearer and more overpoweringly with each new hearing.

Sergiu Luca/Wigmore Hall

Dominic Gill

The Rumanian violinist Sergiu Luca has been active in the U.S. since 1965, but his two solo recitals at the Wigmore Hall last week marked his British debut. He is evidently one of the new breed of fiddlers, at ease equally in the Romantic and the authentic Baroque: Mr Luca made his U.S. debut with the Sibelius concerto, but on Sunday afternoon played his three Bach sonatas and partitas on a supposedly unaltered gut-strung Baroque violin of 1733 by Sanctus Seraphin.

The sound is clean and bright-toned, with a slightly thin bass; the sweet, bell-like timbre, especially in the upper registers, makes contrapuntal writing very clear. Altogether a pleasing and characteristic sonority—though a violin of which neither the ribs, the back nor the belly can confidently be ascribed to Sanctus Seraphin is perhaps a less than convincing Seraphin instrument?

The chief interest and pleasure of a violin recital, in any case, does not lie with the instrument but with the performer and the performance. The notable delight of Mr Luca's recital was that he allowed us to hear Bach's solo violin music free for once from its customary (but entirely unauthentic) drench of vibrato. He's an agile and intelligent performer; and though he never achieved more than the palest echo of the expressive coloration (and expressive bow control) which must have been the hallmark of the true Baroque style, his playing had breadth and bravura and point. I admired his adroit and resolute account of the big Fuga of the G minor sonata, and its mercurial Presto. The first two Doubles of *the B minor partita* also were beautifully spun off —transparent semiquaver garlands, light as air. If Mr Luca is as confident and assured in the romantic concerto repertory as he is in Bach, one of our orchestras should invite him back soon.

Mary Stuart/Glasgow Citizens'

Michael Coveney

The richest playwright produced by Western literature between Racine and Ibsen was George Steiner's verdict on Schiller, which must explain why *his plays are never done* in the British theatre. In his *Death of Tragedy* Steiner went on to deliver a masterly analysis of *Mary Stuart*, dubbing it the one instance (along with *Boris Godunov*) in which romanticism rose fully to the occasion of tragedy.

The Glasgow production by Philip Prowse of Robert David Macdonald's new translation is the first in Britain for 25 years. It is a brooding, stylish and sombre realisation that latches on to the curious, symbiotic relationship between Mary and Queen Elizabeth I without unleasing the deep sexual rivalry at the heart of their encounter —Schiller's most celebrated invention in a piece that also offers two marvellous male roles in the fictitious Mortimer and a Leicester loved by *both* ladies. The action is set over the last three days of Mary's life as, under sentence of death, she waits in Fotheringay castle for Elizabeth to sign the warrant in Westminster.

Schiller wrote, as he saw it, of two young women, but the Citizens restore the queens to marmoreal middle age, even extending the crabbed and shrewish nature of Fidelis Morgan's virgin Elizabeth to the blanched and incarcerated, devout rather than sensuous, Mary of Ann Mitchell. Ms Mitchell also speaks in a curious French *accent that verges on the Neddy* Seagoon-ish, but this is presumably to underline her French ancestry and to offer a tartly dissimilar vocal inflection to Ms Morgan's House of Windsor patronising semi-interested tones.

In addition to this, the Mortimer and Leicester of Philip Bretherton and Jonathan Phillips strike me as interchangeable, for neither evinces anything like resonant sexual passion; nor do they rise, respectively, to the great challenges of the suicide and the final act dream-like recitation of the execution. Around them, though, is a well-delineated bunch of sober-suited court lackeys (the men sport ties and jackets, the queen's historical finery); an icily efficient Burleigh from Laurance Rudic, a well-judged pragmatic Shrewsbury from Stephen MacDonald and the hapless clerical Davison of Patrick Hannaway.

Ann Mitchell at Mary Stuart

Mr Prowse's staging and design are of his usual high order. The entire stage is swagged in a black cloth which covers various platforms and steps. On this unremitting black, Gerry Jenkinson's lighting picks out figures in a masterly succession of embracing spots and deliquescent cross-fades, characters looming from the back or rising sedately through a centre-stage trap. The ghostliness of this is taken up in the unscripted apparition of the murdered Darnley, whose bloodied head Mary cradles detachedly in her lap, a gesture echoed in Elizabth's fondling of Leicester in the second act.

The encounter is preceded by a characteristic scenic coup, the black curtain dropping outrageously to the floor in a domino effect and the outdoors in which Mary goes deliriously free for a while (beautifully done, this section, by Ms Mitchell) conjured with swirling mists and a slow and persistent shower of winter leaves. The engineered meeting veers out of control with political accusations being overtaken by sheer hatred and unbridled insult.

The translation follows Schiller's pentameter scheme but does not improve upon Joseph Mellish's outstanding 1800 version, nor does it have the original's poetic majesty and flow. Every now and then you hear an excellent line; but the big speeches are here diminished. I preferred Mr MacDonald's grapple with the more impossible task of Racine at the Old Vic. The cutting is heavy—no French ambassadors in the early part and some devastation of Shrewsbury and Paulet (Ciaran Hinds)—but, on the whole, judicious.

The power of the superb fifth act is unimpaired and Ms Mitchell's devotional approach pays dividends in the sacramental episode where, entering in a replica of Elizabeth's Gloriana gown and a trailing white veil, she is absolved of her plot against Darnley and ceremoniously fed on the body and blood of Christ by the whispering Melvil (Simon Elliott succeeds in making us listen very hard indeed, but Mr Prowse's heavy cloth is absorbing too many lines of others as yet). Transfigured and at peace, Mary ascends the scaffold, leaving a troubled and vexatious Elizabeth in both her Fotheringay black and a towering rage *against her disappearing courtiers*.

This final dress reversal is a wonderful emblematic touch and Mr Prowse's unimpeachable taste is reflected in other details such as the red stockings and shoes Mary wears tantalisingly under her black gown, or the fading in and out of a wailing bagpipes to underpin the play's nationalistic arguments. The Play, almost Shakespearian in tone but without tiresome funny bits, is a great one and, whatever my quibbles with the central character interpretation, the Citizens provide a thoroughly gripping and memorable evening.

Saleroom

The first important auctions of 1985 took place last week in New York, confirming the dominance that city now has over London in many sectors of the fine art market. Both Christie's and Sotheby's had identical experiences in selling Old Master paintings—the most important pictures sold but there was little interest in run-of-the-mill works. Christie's totalled £3,340,237 with 23 per cent bought in and Sotheby's £3,194,245 with 30 per cent unsold.

A typical river landscape by the Dutch 17th-century artist Saloman van Ruysdael almost doubled its estimate, selling for £366,666 at Christie's while a European dealer gave £183,333, also way above target, for a still life of fruit by Osias Beert. An allegory of commerce, a merchant in his office by Goya, a small sketch, did well at £164,035, also double the estimate.

At Sotheby's a view over the Varzea in Brazil by Frans Post, painted during a visit there in 1667, made £289,473. It was sent for sale by Cornell University.

A.T.

Ra-Ra-Zoo/Battersea Arts Centre

Martin Hoyle

Show business red in tooth and claw added an extra tension to Friday's performance by this four-person circus in Battersea's Edwardian Arts Centre (Lavender Hill).

A juggling act, bungled for comic effect, caused a toppling pile of boxes to strike Sue Broadway a glancing blow. Thereafter we watched uneasily as a red stain spread over her blonde head, making her subsequent trapeze act all the more nerve-racking. Ms Broadway finished the show bloody but bowed only by the demands of comic contortions or graceful aerobatics. It all contributed to the affection inspired by this talented, ironically self-deprecating line-up.

The circus turns are shot through with the comedy of show-biz brightness constantly deflated by tricks going wrong. At times even the audience is unsure how intentional the smashing of spinning plates or the dropping of an Indian club may be but the company soon reassures by brilliant juggling and the manacled Stephen Kent's eventual escape from the locked trunk (after much writhing, desperate cries and muffled bursts of "Je ne regrette rien"). In the dazzling finale clubs are replaced by flaming torches hurled back and forth between three jugglers: presumably a fumbled catch or wrongly angled throw could add burns to the already incurred abrasions.

Apart from the superbly professional Ms Broadway and the sometimes — as in a speech on playing music to goldfish — threateningly surreal Mr Kent, the ensemble boasts Dave Cree, modest of chin but facially expressive, whose sporadic smiles of pleasure when tricks succeed are quickly replaced by expressions of embarrassment or resignation. Sue Bradley accompanies throughout, mainly on amplified violin. The new company, its members hailing variously from such respected groups as Circus Oz, Cunning Stunts and Pookiesnackenburger, makes its London debut under the aegis of the London International Mime Festival — a category happily broad and elastic to include this likeable mixture of tricks and comedy.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

January 18–24

Opera and Ballet

LONDON

Royal Opera House, Covent Garden: The latest revival of Die Zauberflöte has attractive elements that may cohere better at later performances Richard Hickox as conductor, Gosta Winbergh and Angela Maria Blasi as Tamino and Pamina, Robert Lloyd as Sarastro, and Jonathan Summers finding in Papageno one of his most congenial Covent Garden roles. (250 1066)

English National Opera, Coliseum: Rigoletto, *which in Jonathan Miller's* updated New York reworking has become the company's most famous production of recent years, returns with John Rawnsley, Valerie Masterson, and Arthur Davies at the head of the cast, and the young American John Mauceri – already admired in this theatre for Forza and Butterfly – the new conductor. Phyllis Cannan's warm, gleaming, large-scale Tosca is the most compelling reason for a visit to the latest revival. (836 3161).

Royal Opera House, Covent Garden: The Royal Ballet in Cinderella and Nutcracker (240 1066).

Shaw Theatre, Euston Road: Extemporary Dance Company with a mixed programme – in every sense. (388 1394)

PARIS

Alexander Dargomyjski's Le Convive de Pierre based on Pushkin's version of the Don Juan myth is an opera essentially vocal and rarely performed. Conducted by Jean-Claude Casadesus in an Otomar Krejca production. Don Juan is sung by Allen Cathcart, Dona Anna by Mariana Nicolesco/Helene Garetti and Laura by Glenys Linos/Eva Saurova. Salle Favart-Opera Comique (296 06 11)

WEST GERMANY

Berlin, Deutsche Oper: Ophelia, an opera by Rudolf Kelterborn, will be offered for the first time in Berlin, with Silvia McNair in the title role. Die Hochzeit des Figaro is a Götz Friedrich production and has Thomas Sanderling making his Berlin debut as conductor. La Bohème has Eugenia Moldoveanu for the first time as Mimi. The cast also includes Giorgio Merighix and Lenus Carlson. Tosca is steered to triumph by Raina Kabaivanska brilliant in the title role. The Magic Flute rounds off the week.

Hamburg, Staatsoper: This week's higlight is Don Carlos with Julia Varady and Luis Lima. There was much applause at its premiere for Alexander Zemlinsky's rarely played Der Kreidekreis. La Traviata convinces thanks to Nelly Miricioiu outstanding in the title role. Die Hochzeit des Figaro is a well done repertoire performance.

Cologne Oper: A lieder recital with Luigi Alva, accompanied at the piano by Carlos Riverax singing Donizetti, Cilea, Boito and Leoncavallo (Tue).

Frankfurt, Opera: Don Pasquale has again been added to the programme, featuring Barbara Bonney, Günter Reich and William Workman. Parsifal, the controversial production by Ruth Berghaus, has fine interpretations by Walter Raffeiner and Gail Gilmore. Further performances are Der Zigeunerbaron and Der Wildschütz.

***Stuttgart, Württembergische* Staatstheater:** Premiering this week is a new production of Werther, produced by Giancarlo del Monaco. The cast brings together Neil Wilson, Marilyn Schmiege and Yasuko Kozaki in the main parts. Don Giovanni is sung in Italian.

Munich, Bayerische Staatsoper: The highly acclaimed production of Honegger's Johanna auf dem Scheiterhaufen is respectable with Kornelia Wulkopf and Julia Varady. Das Liebesverbot is a well done Jean-Pierre Ponnelle production. Der Barbier von Bagdad *is worth a visit*, with Kornelia Wulkopf and Kurt Moll.

VIENNA

Staatsoper (5324/2655): La Traviata with Gruberova, Carreras and Pons; Elektra conducted by Hollreiser with Jones, Ludwig; La Bohème conducted by Kleiber with Freni, Guglielmi, Pavarotti: The Barber of Seville conducted by Zedda with Nafe, Winsauer, Prey and Ramirez.

Volksoper (5324/2657): The Gipsy Baron; Orpheus in the Underworld; The Magic Flute; La Vie Parisienne; Die Fledermaus.

ITALY

Milan: Teatro alla Scala: a new production of Swan Lake directed by Franco Zeffirelli with choreography by Rosella Hightower, with Alessandra Ferri, Carla Fracci and Maurizio Bellezza; The Barber of Seville conducted by Piotr Wollny with Martha Senn, Marta Taddei and Luigi de Corato (80 91 26)

Rome: Teatro dell 'Opera: Last performance this season of La Traviata conducted by Peter Maag with the American soprano June Anderson and Giuseppe Taddei and Alberto Cupido; A new version of Il Cavallino Gobbo, a two-act ballet on a Rus*sian folk-tale* – first performed at the Maryinsky Theatre in St Petersburg in 1864. Choreography by Briancev, scenery and costumes by Marina Sakalova and directed by Alberto Ventura. (46 17 55).

Naples, Teatro San Carlo: Turandot conducted by Daniel Oren and directed by Alberto Fassini with Ghena Dimitrova, Cecilia Gasdia, Giuseppe Giacomini and Carlo del Bosco. (41 82 66)

Palermo: Politeama Garibaldi: The Teatro Massimo Opera Season opens here with Handel's Alcina directed by Jorge Lavelli. Arthur Fagen conducts and the cast includes Fiorella Pediconi, Chu Tai Li; Paulette Bermar, Ryland Davies and Martin Egel. (58 15 12)

Turin: teatro regio: The Ballet Théâtre *Français* de Nancy with Rudolph Nureyev in Les Biches, Spectre de la Rose, L'Apres Midi d'un Faune and Petrushka. (54 80 00)

NETHERLANDS

Amsterdam, Carre Theatre. The Merry Widow performed by Hoofdstad Operette Company and directed by Alexander Pichler. All week except Mon. (22 52 25).

Netherlands Opera in Britten's Peter Grimes, production directed by Elijah Moshinsky decor and costumes by Timothy O'Brien and Tazeena Firth. The Utrecht Symphony Orchestra under Bruce Ferden, with William Neill as Peter Grimes, and Patricia Wells as Ellen Orford. Tue in Groningen, Schouwburg, Thur in Amsterdam, Stadsschouwburg (24 23 11)

FINANCIAL TIMES SURVEY

Tuesday January 22 1985

NORTH CAROLINA

Although the state has a remarkable record in attracting investment and new business, there are growing pressures to diversify away from such traditional industries as textiles and tobacco.

State woos more hi-tech investors

By REGINALD DALE, U.S. Editor

The skyline of Charlotte, North Caro line's largest metropolitan area.

"SCRATCH A North Carolinian and you will find a farmer one generation back" So says one local sage in the unpretentious state capital of Raleigh in seeking to explain North Carolina's mentality — an unusual, often conflicting mixture of the conservative and the progressive.

While often taking pride in its reputation as the most liberal of the southern states, North Carolina votes heavily for President Ronald Reagan. In November, it re-elected Republican Senator Jesse Helms, high priest of the ultra-right, after a prolonged and bitter fight with Mr Jim Hunt, its popular former Democratic Governor.

Reflecting the decline of the Democrats in national elections throughout the South, North Carolina now has two Republican senators, and a Republican Governor, Mr Jim Martin, for the first time this century.

Within its borders, the latest high-technology research laboratories rub shoulders with poor tobacco farmers who need government support to survive. The state is well-known for its progressive, campaigning newspapers, but some local liberals also see worrying signs of a resurgence of the Ku Klux Klan.

North Carolina was originally settled by small yeoman farmers mainly of Scottish, English and Northern Irish descent. With few of the aristocratic plantation owners who lorded it over its neighbours, the state has a long tradition that combines both rural conservatism and egalitariansm—at least among whites. To the outside world, it long remained a backwater.

Since colonial times, North Carolina has been called "A vale of humility between two mountains of conceit" — haughty Virginia to the North and proud South Carolina to the South.

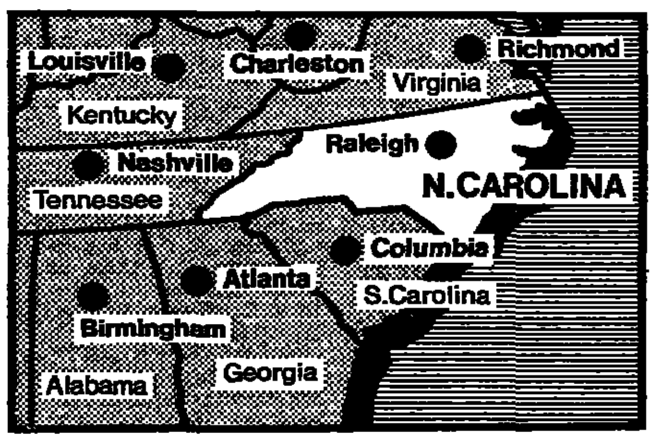
Simple origins

The first English settlement in the New World was founded on North Carolina's Roanoke Island in the 1580s, financed by Sir Walter Raleigh, only to vanish without trace. The state then settled into a long and largly undistinguished period in which it got on with its own business of producng tobacco, textiles and furniture. It had no major port, and many of the original inhabitants migrated westwards. Only recently has it emerged into national prominence.

To many people's surprise, the Tar Heel State was discovered in the 1980 national census to have grown into a "Megastate," the tenth largest of the big ten, with a population of almost 6m, overtaking Massachusetts and Indiana. (The Tar Heel nickname comes from an incident in the War of Independence, when British soldiers waded out of a river into which tar had been poured with it sticking to their boots.)

The state's simple origins continue to dictate the pace of life even in today's "Megastate." There is no major metropolitan centre — Charlotte (with just over 300,000 inhabitants) near the South Carolina border is the largest city — and the population remains widely scattered. As one recent assessment put it: "North Carolina has industrialised without really urbanising."*

North Carolinians say that one of the state's main attractions is that you can easily live in the country and still find nearby work in the small cities and dispersed industries, or the many centres of education for which the state is famous. Many city workers put in a few hours farming when they get home in the evening.



From east to west the state is more than 500 miles long — if it were swivelled round to the north it would reach as far as New York City. Its astonishingly successful promoters as a business centre point out that within a 600-mile radius of its frontiers are to be found half the nation's population and $1,000bn in industrial production — or 60 per cent of the U.S. market.

The state divides into three distinct sections: the coastal plain in the east, the increasingly hilly Piedmont area in the centre and the Blue Ridge and Smoky Mountains of the west that it shares with neighbouring Tennessee.

Of the three, it is the Piedmont that is the most prosperous, the most heavily-populated and the most go-ahead. It is here that are to be found the main cities of Raleigh, Durham, Chapel Hill, Winston Salem, Greensboro and Charlotte in the south, and the bulk of the state's educational and cultural activities.

The state has a remarkable record of attracting new industry and business over the past 20 years, without losing much of its original character. In 1983, more companies—both American and foreign—announced plans for new manufacturing plants in North Carolina than in any other state in the Union. More than half the Fortune 500 companies (The biggest in the U.S.) have at least one plant in North Carolina, and in all the South only Texas surpasses it in factory output.

The state's promoters claim a wide variety of reasons for this success. North Carolina, they say, is in the South but still close to the North. A company would feel less compunction setting up its headquarters in relatively neutral and progressive North Carolina than it would in a more controversial Deep South state like Alabama or Mississippi.

The state does not give special tax breaks to new investors — on the principle that business must "Pay its own way" — but its tax rates, cost of living and construction costs are among the lowest in the nation. In 1982, North Carolina's per capita state and local taxes ranked 42nd out of the 50 states, at about 25 per cent below the national average.

Also cited are the extensive education system, exemplified by such well-known universities as Duke, North Carolina state and the University of North Carolina, in the Raleigh-Durham-Chapel Hill triangle, at the centre of which is the booming Research Triangle Park, an availability of well-trained labour and the state's extensive road and communications system are also promoted.

Arts centre

By running the road and education system centrally, the sttate has managed to escape some of the difficulties that local authorities have suffered in other states, where conservative populations are loth to pay local taxes to finance such amenities.

North Carolina is also renowned for its support and encouragement of the arts, on which it spends about $6m a year, or $1 per inhabitant — producing among other achievements the first state-supported symphony orchestra and art museum.

But what the North Carolina boosters like to promote is its "Positive attitude to business." The state traditionally has been one in which the power of tho big local industries, and the tobacco and textile barons who ran them, has always been immense — long before the diversification that began in the 1960s into high technology, tourism and now the film industry.

The other side of that coin, however, is more grim — or equally attractive, according to which side of the fence you are sitting on. North Carolina has the lowest rate of trade unionisation (5.9 per cent) of any state in the union, and some of the lowest, if not the lowest, of all wages.

For years individual trade unions and the AFL-CIO, the country's largest labour federation, have fought bitter, and often losing battles to penetrate the state's scattered industries, a task made more difficult by a surplus of labour and the absence of major concentrated industrial centres. It is also a "Right to work" state, meaning that workers are legally protected from pressure to join unions.

Despite its liberal, progressive reputation, the state's back-

CONTINUED ON PAGE 4

NOW AMERICA'S TENTH MOST POPULOUS STATE

- North Carolina is America's tenth most populous state, with a population of 6.1m.
- It has the nation's lowest unionisation rate—5.9 per cent and declining.
- Work stoppages resulting from labour disputes are the lowest in the U.S., accounting for 0.01 of working time compared to a national average of 0.14 per cent.
- The state's 800,000 manufacturing workforce is the largest in the South-east. No state employs a larger percentage of its workforce in manufacturing.
- High-technology employment is projected to increase 58 per cent from 1975 to 1985, the second highest projection among the ten most populous states.
- The median age in North Carolina, 29.6 years, is below the national average.
- In 1983, a total of $2.15bn was announced in industrial investments. These are expected to create more than 30,000 jobs.
- During 1974-83, industrial investments announced amounted to $15.83bn, potentially creating nearly 265,000 jobs.
- Nearly 54 per cent of total investments and over 75 per cent of new investments announced over the last five years are in higher technology-orientated industrial sectors.
- International investments set a state record in 1983, rising by 170 per cent over the previous year to reach $345m.

Manufacturing dominates to an extent rarely seen elsewhere in the U.S.

Seeking a place in the first division

Industry

TERRY DODSWORTH

AJINOMOTO, the Japanese chemicals company, set up its first amino acids production plant in the U.S. just outside Raleigh, the capital city of North Carolina, three years ago. Raleigh is known as a rather sedate administrative and commercial centre. But for Ajinomoto it has already become embarrassingly like a boom town, tight on labour with an unemployment rate which stands at only a little over 3 per cent.

Raleigh is unquestionably an exceptional case. About 50 miles down the road, in the small city of Sanford, unemployment stands at 8.5 per cent, and the average for the state was about 6.1 per cent in June.

Nevertheless, what has happened at Raleigh is indicative of the trend. North Carolina is *attracting new investment* and as it does so is gradually changing the structure of its industrial base in a way that may eventually destroy its old image of a job-seeking, low-wage economy.

Grappling

Indeed, some economists foresee a long-range scenario for the state that will involve a steady growth in better-paid new industry until the area is eventually pushed into the high-earnings league. And then, they say, jobs may well drift back to the north, which by that time may have become the low-wage region of the country.

This futuristic speculation, however, concerns a somewhat distant period. For the moment, North Carolina is still grappling with the task of breaking away from a part in the U.S.'s economic second division. More than many states in the country, it has suffered historically from a lack of manufacturing diversity, relying heavily on two main sectors, its tobacco growing and processing, and its textile industry.

These two industries, along with the third main sector of furniture production, have done little to move North Carolina away from its traditional image *as a small-town agricultural* community. The state boasts no great metropolis. Charlotte, its largest city, has a population of around 320,000, and the other main urban centres are scattered widely around the state.

Much of the old textile industry was centred on smallish factories drawing their labour from a local farming community, rather than large towns; and the tobacco industry, which is heavily capital-intensive, has long made its main impact on employment at the farming end of the production process.

Over the last 20 years or more, all this has begun to change. North Carolina today is one of the main beneficiaries of the *enormous geographical re-distribution* of industry going on in the country. Manufacturing industries which for the past century have rooted themselves and expanded in the north, are now migrating southwards; and they are being followed today both by foreign companies and the new generation of technology-based companies.

As a result, North Carolina today has an economy which is dominated by manufacturing to an extent rarely seen elsewhere in the U.S. Indeed, at the end of 1983, its total ratio of employment in manufacturing (32.8 per cent) was the highest in any state in the country, easily exceeding the national average of 21 per cent.

As both the textiles and tobacco industries have become automated, employment has become much more dependent on the expanding industries which to a considerable extent have been attracted from outside the state. While textiles still employ about 9.0 per cent of the manufacturing labour force, and furniture 3.3 per cent, electrical machinery accounts for 2.2 per cent and other machinery 2.1 per cent.

Those businesses that have come to rest in North Carolina in the drift south have been drawn there by a number of factors. Probably the most important is the overall business climate. The state has deliberately not gone out of its way to throw money into the hands of every potential investor who casts an eye over the possibilities. Instead, it has concentrated on creating and maintaining an environment where modern business management should feel comfortable.

First, it focuses on sound, old-fashioned administration, with a balanced budget that is decreed in the constitution. Local authority borrowing is permitted only against long-term capital projects with an assured pay-off. Taxes, both on industry and on the individual, are modest. While having no direct bearing on business, these attitudes are viewed approvingly by many industrialists who feel that the public sector has had too much influence in the north, *contributing to the pressures on business.*

Colleges

Second, it invests heavily in those communal services which *provide the essential backup* to the corporate sector. Education, in particular, is treated as a priority. Apart from an extensive university system, North Carolina has 58 community colleges dotted about the state providing all kinds of vocational training.

If a new company is setting up in a particular area, these *colleges will take note and provide* special courses tailored to its needs. Everyone has the *right* to attend—and courses are free if they are connected to new companies entering the area.

Third, the central authorities are linked into a voluntary system of local Chambers of Commerce which allow the state to keep its finger on the pulse in the regions.

The efficiency of this approach underscores North Carolina's claim that it is fundamentally *pro-business* — the political, elected authorities work closely in this field with the Chambers of Commerce which represent local business rather than the wider populace. Much of the effort of steering companies towards available land falls on the shoulders of these regional clubs.

Finally, North Carolina has *made it clear that it wants to* continue largely as a non-union state, whatever the political coloration of its leadership. Despite its large-scale textiles and clothing sector, the state has never been effectively tackled by the trades unions.

Indeed, there have been several bitterly-fought contests that have been won by management, as described in the film Norma Rae. At a legal level, *it is Right-to-Work state, with* a law guaranteeing that employers may neither enter a labour agreement that requires employees to join a union, nor prohibit union membership; at a practical level, the unionisation rate is the lowest in the nation—5.9 per cent and falling.

Various reasons are given for the low level of unionisation. One is the strength of the following for fundamentalist religion in the area. Many churchgoers contend that unions are morally wrong, coming between Man and his Creator.

Another factor is the inherited economic structure of the state. Farming has continued to play a strong role in the community, lending a strong streak of independence to the local character. In some localities, farmers also have a tradition of working in the textile mills, combining a shift in the plant with a few hours on the farm.

The textile industry itself traditionally has been an *industry of small, family-run enterprises* which are difficult to organise. The unions have never found it so easy to establish and maintain a foothold in these plants as in the huge impersonal steel and motor factories of the industrial north. The same factors also apply to furniture manufacturing in North Carolina's western highlands.

North Carolina boasts that these inherited characteristics have given it a labour force which is productive, adaptable — and cheap. The first generation of largely engineering-based companies which migrated from the industrial north have to a large degree confirmed this view by often following up with second and third plants. Although wage rates are now rising at a slightly faster rate than in the rest of the U.S. — the result of the deliberate policy of attracting higher value-added industries—last September hourly production salaries stood at only \$7.07 an hour against an average for the country of \$9.22 an hour.

Both the new companies and the authorities, however, have been careful to try to avoid upsetting the delicate social and economic balance of the community they have joined. The state deliberately has not gone *out to seek really large-scale* industrial investment; indeed, many local businesses have made it clear that they would be extremely unhappy to see, for example, a big car assembly plant in the region on the grounds that it would become a magnet for organised labour.

Instead of these large organisations, the typical *new* company in the state employs about 200 to 300 workers. They are the sort of plants where senior managers can get to know all the workers and maintain a keen sense of teamwork; and often run with a participative style that makes little differentiation between the management and the workforce.

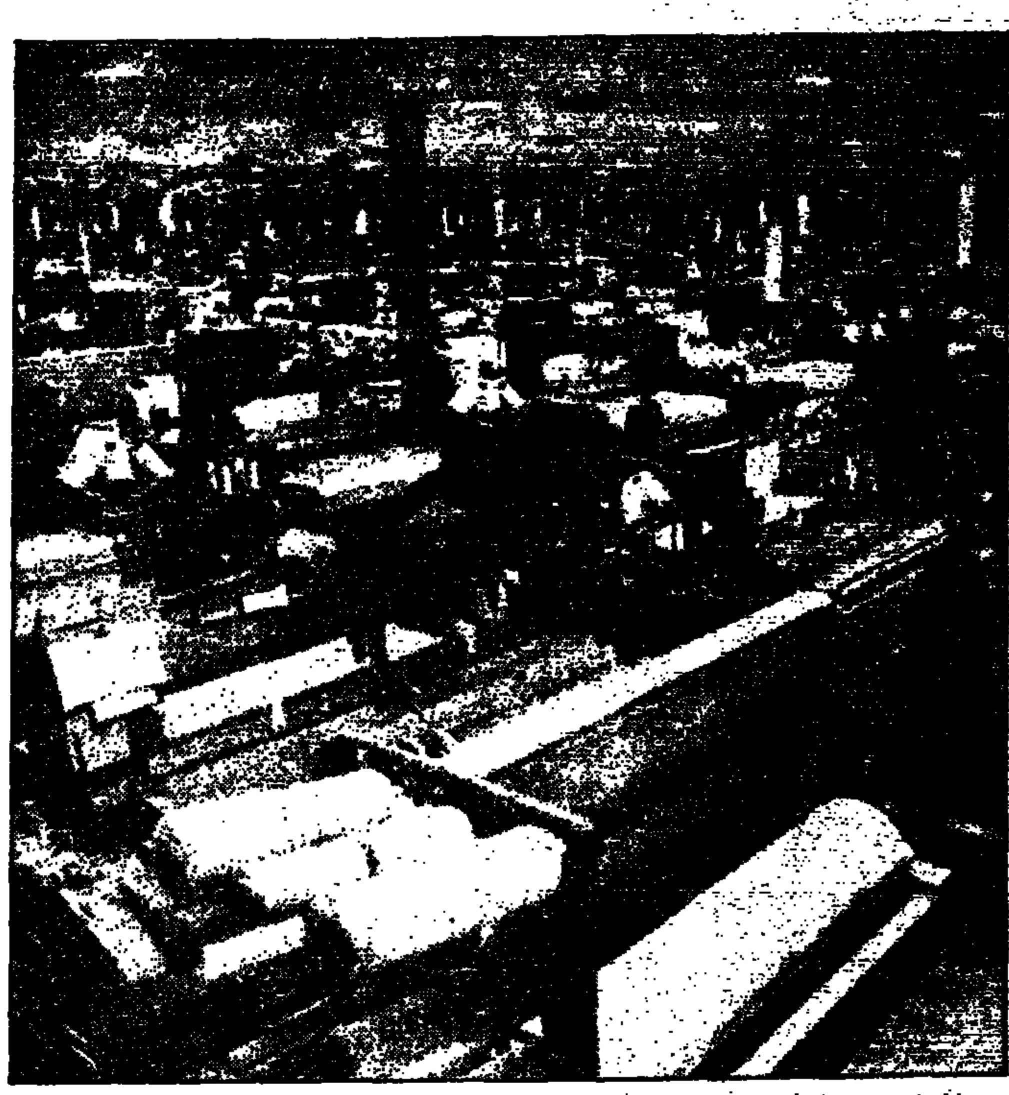
North Carolina is now aiming to graft a high-technology sector on to this network of largely re-located northern companies. Until now, the state has not been a conspicuous generator of new entrepreneurial industries, and it has had no substantial research-based industrial sector. But it is trying to stimulate both characteristics *through two university-linked* industrial parks.

Unemployment

Each of these has brought in high-technology industry from outside, and both can boast some pure research activities. In addition, they both have large IBM factories on *their grounds, with all the* attraction the giant computer manufacturer provides to smaller, innovative technology suppliers. But it has yet to be proven that these experiments will work in the way North Carolina would like them to, by thrusting it into a new era of research-based growth.

Meanwhile, North Carolina has come through the 1981-82 recession with its industrial base looking stronger than ever. Unemployment, once down to 4.3 per cent in 1979, but up to 9.0 per cent by 1982 (and hovering around 14 per cent in some hard-hit areas), is now back down again to about 6.0 per cent. With the labour force rising steadily, more people—about 2.68m—are now in jobs than ever before.

According to the Department of Commerce, capital investment has also rebounded strongly from the deep trough it hit in 1982 when it plummetted by 42 per cent from the 1980 high point to \$1.29bn. Last year, it recovered to \$2.1bn, creating 29,700 new jobs, and in the first 10 months of 1984 it rose sharply again to \$2.2bn, providing 40,300 jobs.



High-speed water-jet looms at a Burlington Industries weave room. The North Carolina textile industry announced plans for more than \$550m in investments in 1983-84

Companies attracted by magnet of low wages

Textiles

TERRY DODSWORTH

TEXTILES HAVE provided the mainstay of North Carolina's economy for the last 100 years. The state was *late into the manufacturing* game, well behind the New England towns which produced the first generation of wool and cotton mill magnates.

But after the Civil War, it got together the capital to set up a native manufacturing industry, deriving its cotton from the southern growing *states all* around it. An average of six new cotton mills were built each year from 1880 to 1900.

The state proved ideal for this burgeoning new industry, because, apart from the propinquity of the raw cotton, it had abundant water supplies and—even then—plentiful cheap labour.

Wage costs, in particular, have continued to be a magnet to the textile companies: according to the Department of Labour, average hourly production wages in the state's textile mills amounted to \$6.27 an hour in September, against an average for the U.S. of \$6.48 an hour.

These low rates have been supported in turn by North Carolina's exceptionally low level of unionisation. There have been some bitter attempts to unionise the industry, notably in the 1950s when a massive drive by the Textile Workers Union ended in virtually total failure. But even after some successes in the 1970s, the union was unable to show any net gain in membership.

The unions are in an even more difficult position in trying to organise today because the industry is now streamlining in the effort to cope with the increasing competitive challenge from overseas. With the dollar at present levels, U.S. manufacturers are finding that the cost-cutting aimed at meeting the prices of imports from low-wage countries is still not giving them the edge in the market-place. Hence the shake out is still continuing, with smaller *companies going to the wall.*

The larger groups are attempting to strengthen their position by consolidating operations, takeovers, and moving to more high-volume production. Over the last five years, the industry has almost doubled its capital expenditure to an annual average of \$352m, while increasing the *physical volume of shipments* sufficiently to lift aggregate sales from \$7.5bn to \$14bn.

Although there are still many small-scale producers, the sector *is clearly dominated by a few big names,* including Burlington, the U.S.'s largest textile company, J. P. Stevens, Cannon Mills and Du Pont in synthetic goods. Between them, the North Carolina companies produce about 25 per cent of all the country's textiles, making the state easily the most important manufacturer in the U.S.

As might be expected in a labour-intensive industry, heavy capital expenditure has had the effect of reducing manpower dramatically. At present, the rate of redundancy in textiles proper is running at around 5,500 a year as total numbers employed in the sector have *fallen from 257,000 in 1977* to 224,000 at the end of last year. Job losses are even greater if clothes manufacture is taken into account.

Streamlining

These changes leave the textile industry standing at the crossroads. Some relief from the competitive pressures might come from two different directions. On the one hand, if the dollar were to slide, importers might find the going a little tougher in the U.S. market; on the other hand, the possibility of new protective measures to cushion the U.S. manufacturers cannot be entirely ruled out.

Even if such help were forthcoming, however, North Carolina is working on the assumption that it will have to cope with further streamlining in the industry. For many rural communities where the mill was the only source of non-farming income, the attraction of new industries to take the place of the old has thus become a question of survival.

Historic hunch turns out to be accurate

Tobacco

TERRY DODSWORTH

DOTTED AROUND the fields in the Raleigh area are literally hundreds of small, highstanding shacks, now falling into disrepair. The structures are tobacco drying huts, superseded today by modern pressurised drying methods. But they are a reminder that tobacco continues to be a prime force in North Carolina's economy, *providing the base for agricultural* production in the eastern plain, and an additional cash crop in many other parts of the state.

Tobacco has a romantic link with North Carolina's British origins through Sir Walter Raleigh, the Elizabethan adventurer credited with introducing smoking to Britain. Raleigh later became the founder of Roanoke, the first English colony in the New World, on the north eastern shores of North Carolina.

Anti-trust

Only four years after Roanoke was founded, it disappeared mysteriously, its inhabitants wiped out either by disease or *by Indians. But the hunch that* North Carolina was ideal for tobacco growing turned out to be entirely accurate. Its fertile eastern plain and warm climate have made it into the best tobacco production area in the U.S., and probably the world. It grows more tobacco than its neighbouring state to the north, from which Virginian tobacco takes its generic name.

At the turn of this century, tobacco was run as one of the huge trusts that were to be tackled in the first big burst of U.S. anti-trust activity. Today, North Carolina still produces much of the tobacco used by the companies which emerged from that era.

The great tobacco monopoly was the brainchild of James B. "Buck" Duke, who as a young man in 1884 grasped the virtues of the technology of the time and launched headlong into the attack on the big companies of the day with one of the first cigarette-making machines.

Within six years Duke became the giant of the industry, dominating the market through strong advertising, and capturing about 90 per cent of U.S. cigarette production. When the Supreme Court broke up his empire in 1911, it was so big that it had to be split into four—American Tobacco (now American Brands), R. J. Reynolds, P. Lorillard and Liggett Myers.

These companies remain important to North Carolina's tobacco industry, where R. J. Reynolds has its headquarters in Winston-Salem—a city which combines the names of two of the group's brands. The state grows well over 40 per cent of all the tobacco in the U.S., and produces more than half of the country's cigarettes.

The tobacco industry pays *better than textiles,* so in this sense it has had a more benign influence on raising North Carolina's living standards. But it has also had a keen eye to costs, reorganising and automating steadily over the years—it was a relatively heavy investor last year, at \$80m—and cutting its workforce in the process.

The process of rationalisation has meant a fall in employment in the industry from 27,800 to 23,800 in the last 10 years. By the end of this century, job *losses are expected to total* a further 30 per cent of the present level. But sales are also forecast to increase by 25 per cent over the next 16 years.

It is likely *therefore* that tobacco will retain its importance in the state's local economy—unless, of course, the anti-smoking lobby makes bigger inroads than in the past. On that front, the recent elections will help the industry: Senator Jesse Helms, tobacco's great defender and a man who has been heavily supported by the industry, has retained his seat and his powerful position as chairman of the Senate Agriculture Committee.

North Carolina 3

Product development at Becton Dickinson's in North Carolina Research Triangle Park

Name built on university links

High Technology

TERRY DODSWORTH

ONE OF NORTH CAROLINA'S most positive industrial achievements over the last 25 years has been to put itself on the map wherever high technology industry is seriously discussed in the U.S.

While the state still has none of the dash of Silicon Valley, nor the reputation of Route 128 outside Boston, it has created an image of university-linked research which may well make it one of the strongest contenders for future research and development funds.

North Carolina started out on the trail of high technology with no positive advantages except the fact that its urban *concentration in the north* embraces three universities.

About 25 years ago, a local developer drawing on the experience of research-based industrial growth elsewhere, came up with the idea of linking together all three university centres—Duke University, the University of North Carolina and North Carolina State University—in a common programme. The research triangle was born.

After a shaky start, the research triangle has proved a compelling image to inward investors. At the centre of it there is a large contract research institute employing about 1,000 on mainly government-sponsored projects.

The institute was an important catalyst in getting the park established, but the main interest today is in the 45 or so companies which are grouped around it on the 6,000 acres of parkland owned by the triangle. These companies are allowed only very limited manufacturing under zoning regulations which are designed to maintain a park-like atmosphere, with no smoke, noise or pollution.

The second key idea behind the triangle was a unique arrangement to bring the three universities together. Done share responsibility for *running* the organising committee, and co-ordinate courses at the different centres. The structure is designed to make it easy for individual researchers to take part in academic life, or for academics to try their ideas in industry.

Courses for students can also be tailored to the needs of the companies in the area. Indeed, one of the other educational inspirations behind the scheme was the fact that the state seemed to be providing more education than could be usefully absorbed in the community. Young people going through the university system were leaving North Carolina in droves for areas where their skills could be better utilised by industry. The triangle has to some extent stemmed this exodus.

This deliberate attempt to re-create some of the conditions which led to the explosion of creativity which spawned the electronics revolution have not so far led to a spontaneous outburst of new, entrepreneurial companies in North Carolina. There are hints that this process may be beginning, but so far the real success of the research triangle has been to attract new divisions of already established high-technology companies.

This tendency is underscored by the way in which IBM has contributed to the development of the park. Officials admit that the triangle was developing only slowly until the giant computer group came along with a substantial investment in 1965. The development gave the park credibility with other companies, and also helped the area begin to attract a number of the satellite companies which cluster round IBM like bees around a honey pot.

At roughly the same time as IBM arrived, the triangle had another coup when North Carolina persuaded the federal government under President Kennedy to relocate the headquarters of the Environmental *Protection Agency* in the area—the result, it is said, of a political deal.

Today, the 45 or so companies nestling behind their extensive lawns under the pine forest employ about 25,000 people, many of them graduates. The companies have invested well over $1bn in the area, filling up about half the available land. Several businesses have already been turned away because they could not meet the criteria for the balance between research and manufacturing.

Competition

There is a heavy sprinkling of electronics companies among these investors, but the most recent growth has been orinted towards the biological sciences. Health care and pharmaceutical companies such as Becton Dickinson, Burroughs Wellcome and Glaxo have all made substantial commitments in the park—Burroughs built a dramatic modernistic building which ranks as an architectural showpiece.

As competition from similar research parks throughout America builds up, North Carolina is pressing ahead to capitalise on its present strong position. It has just opened a micro-electronics centre in the park, and apart from the triangle, it has a similar park growing near Charlotte in the south of the state.

This centre, Charlotte University Research Park, started *a few years after the triangle*, shares many of the same characteristics, even down to a large IBM facility.

Mr "Rusty" Goode, who runs the park, says there was a period during the high interest rate era of the 1970s when the backers had to sweat it out with very little income or concrete commitments from clients. Then along came IBM with its 400-acre acquisition, and relative success.

The research park is now well-established, embracing companies such as Southern Bell, the telephone group, Verbatim, the floppy disk manufacturer, and Union Oil. Not all of the jobs are in what could properly be called high technology. For instance, Dow Jones, publisher of the Wall Street Journal, has one of its printing plants in the area. "I am disappointed that there is not enough pure research, but I expect many companies will be like IBM here, combining basic research with manufacturing," says Mr Goode.

In publishing for an even higher level of sophistication in research work, the North Carolina authorities are now moving to give more direct help to industry. Back in the triangle the authorities have just injected $45m of state funds into a new micro-electronics centre designed to become a focal point for electronics research.

The centre is equipped with one of the "cleanest" laboratories in the world, through which it is hoped to attract participating—and contributing—companies on research projects. It is only just getting into gear, but already has its quota of corporate sponsors for its initial programmes.

It has also launched a scheme to link all the local universities and the campus in Charlotte via a two-way telecommunications system. The idea is to allow the universities to run common courses, involving the micro-electronics centre as well, in a way which allows the maximum use of resources.

According to participants, the state's aim of integrating the universities into the industrial structure is beginning to work. The iron test will be whether these institutions will eventually lead to a surge of locally-inspired, rather than imported, new industry.

Former school now teaches outsiders business opportunities

Tracking down new investment

THE OLD WOODEN railway house in Sanford, the oldest building in the North Carolina city, still stands where it was constructed by the side of the station 120 years ago. Alongside the house is a sort of monument — a beautifully-preserved steam engine on a few yards of rusty rail. It was engines like this that first put Sanford on the map.

Today, the railway house is once again at the hub of Sanford's development. The interior, which once served as the city's first school, has been converted into a mixture of museum and promotional centre. It is here that Mr Hal Siler, a slow-talking North Carolinian who, as a GI 40 years ago, helped guard top Nazi prisoners at the Nuremburg trials, directs the drive for new investment in the area.

Mr Siler's promotional organisation is an independent one, run by the Chamber of Commerce at arms' length from the local authority. But it is typical of North Carolina that the business works very closely with the authorities, both in the locality and in the local state government. When North Carolina talks about being pro-business, what it is pointing to is essentially this close embrace between the obligations of Government and the needs of the private sector.

Mr Siler himself, for example, was once in government as head of the water and sewer authority. He was also there when the city pushed through a big infrastructure development in these two *utilities, which it saw as a* necessary pre-condition to attracting new industry.

When the project was complete, Mr Siler left the local authority to run the effort to attract new companies; the development of the utilities, he says, meant that outside industry at last began to take Sanford seriously.

The effort started in earnest about 14 years ago in an attempt to stem the migration of young people from the vicinity. Like many other areas in the same position, the city has tried to help its cause by establishing an industrial park. This has been assembled without laying out any great amount of up-front investment: Sanford takes an option on land in the park area that people are prepared to sell, and will buy it up for use if a potential manufacturer comes along.

It was here that GKN, the UK engineering company, came to set up its variable transmission joint manufacturing facility. Siemens-Allis, the joint concern of the West German Siemens group and Allis of the U.S., also moved in a few years ago, along with Coty, the perfume group. Down the road, on an off-park site, the German company Schleicher has also established a small production for paper-shredding machines — the equipment which chops up documents in embassies throughout the world.

Despite these successes, the development drive has by no means solved all Sanford's *economic problems* as yet. Mr Siler says that the organisation came together in the first place because of the perception that unemployment would continue to rise unless something was *done. Yet today* Sanford still faces a jobless rate of about 8.5 per cent, some 2.5 per cent over the average for the state, and well over the national average as well.

To the degree that it is only just keeping pace with unemployment, Sanford mirrors the overall situation of North Carolina. Despite its efforts with new investment, it is only just managing to provide enough jobs to take up the slack created by the steady decline of both its textile plants and its agricultural sector.

Furniture

Mr Siler expects the two lines of the graph to begin to converge within a few years' time, as the traditional industries are trimmed to a viable size, and the newcomers establish themselves in force. In the meantime, he believes that the flood of new investment from outside has been greatly beneficial, not least in raising salary levels in the area.

He can also point to the fact that the situation would almost certainly be much worse if nothing had been done. On top of the old economy of textiles, furniture and the building trade (the Sanford area is one of the biggest brickmakers in the country), the re-location drive has netted 36 new companies and produced 5,000 direct jobs since 1970.

A number of service jobs should also be added to that — a considerable total set against the entire labour force of 19,000.

T.D.

The state has captured 16 of the 29 large foreign plant set up in the U.S last year

Terry Dodsworth reports:

NORTH CAROLINA can reel off the names of a number of large international companies among investors in the state: Ciba Geigy, Burroughs, Wellcome, GKN, Ajinomoto, Mitsubishi, Semiconductor, Sumitomo Electrical and MAN, to name but a few. A great number of them are recent arrivals, attracted by a mix of factors not greatly different from those that have pulled in investment from big U.S. companies over the last decade or so.

The stream of new entries has become so strong, indeed, that according to the independently run Industrial Development magazine North Carolina captured no fewer than 16 of the 29 large foreign-owned plant announced in the U.S. last year. These were all meaningful investments — the magazine's ratings are based on plants of more than 20,000 sq ft in size, costing at least $500,000 and employing 50 people.

GKN

Drawn by non-union tradition

THE UK engineering group is a paradigm case of a traditional heavy engineering company *which 20 years ago* would almost certainly have wanted to base its U.S. operations in the great industrial power house around the Great Lakes, instead, it decided to go to North Carolina, setting up a plant in the Sanford pine forests south of Raleigh.

The spanking new factory is run by Mr Edward Hackim, a professional manager, who had previously set up similar new factories for both Eaton and Clark in the state. Along with another plant at nearby Burlington, the Sanford facility supplies variable transmission units for front-wheel drive vehicles. GKN made the investment, amounting to $75m at Sanford, mainly at the instigation of Ford, which wanted a U.S. supplier as it steadily moved towards front-wheel-drive mechanisms in its U.S. models. With an assured contract from Ford, GKN *decided on a plant of about* 350 people.

"We have a management philosophy of creating operations of this size because we believe they are more manageable," Mr Hackim says.

The fact that North Carolina does not have a union tradition was a big point in its favour. "We are non-unionised, and we have decided to keep it a non-union environment."

On this score, there were other investment possibilities in the South, but North Carolina remained the first choice. "Kentucky is now saturated," says Mr Hackim, "and although there are some parts of Tennessee that are good for investment, we have been easily able to get the people we need here."

About half of the workforce fell into GKN's hands when one of the leading textile mills in the town closed down. "We started from a very good *position. The work ethic in this* part of the country is superb," he says.

Partly because of the care that has gone into creating a manageable work environment, the UK company has also been able to pursue new participative managerial methods which, according to Mr Hackim, have helped produce high quality and good productivity.

The company has tried to break down the worker/management barrier by removing such executive privileges as special parking places. And its fresh approach to quality has recently won Ford's highest accolade as a Q1 supplier. It now looks as though these new systems will be exported by the American subsidiary back to the parent company in the UK.

SCHLEICHER INTERNATIONAL

Chance encounter led to move

SCHLEICHER a small privately owned company from Markdorf, West Germany, which makes machines to shred confidential documents, virtually stumbled across North Carolina by chance. Mr Albert Goldhammer, president of the group, says he was first impressed by the state when he heard its former governor, Mr James Hunt, speak at the Davos management conference in Switzerland.

Mr Hunt impressed upon his audience that North Carolina "liked companies making a profit." At that time, at the end of the 1970s, Mr Goldhammer was thinking or establishing an operation in the U.S., both as a hedge against currency fluctuations and to establish a base in a market where the Japanese were developing their presence.

"I could only beat the Japanese with American-made machines," he says. "To do your advertising and selling effectively you have to be producing in the U.S. market."

Mr Goldhammer looked at other areas as well. But in North Carolina," he says, "they treated me so nicely." He finally settled in Sanford, whose local industrial development adviser, Mr Hal Siler, also happens to speak German.

Sanford had a small empty factory ready to move into, and Schleicher is now steadily expanding its range of shredders to push the factory up to capacity.

The company is still small, employing only about 20 workers, and Mr Goldhammer says that he is delighted with the way it has been able to maintain the family feeling in the plant which seems to be common in North Carolina. In the north of the U.S., he says, workers change jobs much more quickly "for a few cents an hour." Down in North Carolina there is more loyalty to the business.

AJINOMOTO

Matching Japan's efficiency

THE JAPANESE Amino Acids group selected North Carolina only after an extensive search process which put up eight possible sites to choose from.

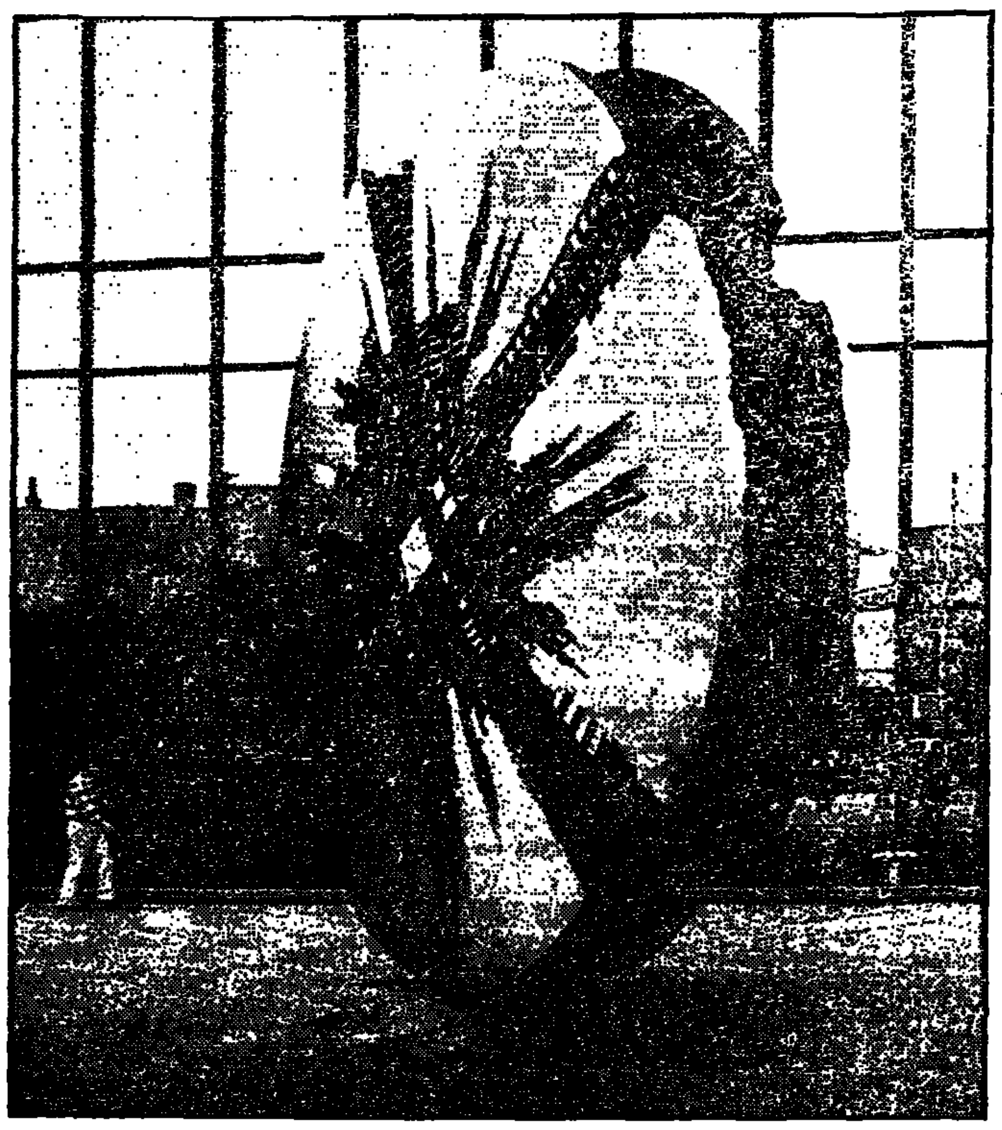
The company had two main objectives, says Mr Kaetsu Kobayashi, senior vice-president of the $45m plant. It did not want a union problem, and it wanted to avoid regulatory conflicts over environmental issues. Geographically, the site could have been almost anywhere in the U.S. — Ajinomoto's main pharmaceuticals clients were spread around from coast to coast, with one customer in the Rockies.

"Here we found no unions and good workers. And we also got a fairly high level of technical skills," he adds.

Mr Kobayashi says that although there is now some pressure on wages in the area because of the low (3 per cent) level of unemployment in the area, labour productivity is about the same as in the company's parent plant in Kawasaki. There have been few problems of adaptation on either side. "When I was running our plant in Italy, I did what I thought was right, and I did not feel a culture gap," he says.

The 150-worker plant also employs only a few Japanese, although these are in key accounting and technical jobs. On the technical side they are particularly involved in quality control, an extremely tricky afair in Amino Acid production because of the delicate chemical balances that have to be achieved.

Unlike many Japanese companies Ajinomoto was not influenced by fears of U.S. protectionism when it decided to set up the plant, since it had no big U.S. competitors. But one point of its strategy, to counteract what at that time was a rising yen, has gone out of the window. It took the decision to invest in the U.S. when the dollar was worth only Y190 against today's Y240. The plant is easily competitive with its Japanese counterpart, he says, at between Y200 and Y220 to the dollar.



Modern sculpture in Charlotte's main central mall

Better performance and management than many big-centre institutions

Premier rating for region's banks

Banking

WILLIAM HALL

North Carolina Banks

1984 Third Quarter results

	Assets $bn	Nine months 1984 net income $m	% change on year	3rd quarter non-perf. assets $m	As % of total loans	Third quarter return on equity	Third quarter return on assets	Primary capital ratio	Branches
NCNB	14.53	88.1	+29.2	143.4	1.59	16.12	0.83	6.34	267(NC) 163(FLA)
Wachovia	8.05	73.9	+14.9	33.4	0.71	19.38	1.32	7.28	207
First Union	6.43	58.7	+33.0	39.4	1.08	19.20	1.29	8.45	207
Northwestern Financial	2.64	18.2	+41.0	18.2	1.17	16.27	0.93	6.20	186
Branch Corporation	2.27	16.2	+ 6.61	20.6	1.35	17.10	1.16	7.43	152
First Citizens	2.10	16.0	− 3.24	—	—	18.11	1.12	6.98	269

Research: Rivka Nachoma.

WHEN NCNB Corporation announced the acquisition of a 29.9 per cent stake in Panmure Gordon, the London stockbrokers, just before Christmas, some people wondered aloud whoy one of the City of London's prestige firms would want to get into the same bed with a little-known bank from Charlotte, North Carolina.

While people in the City are familiar with the bigger names in U.S. banking, such as Chase, Citibank and J. P. Morgan, they tend to dismiss regional U.S. banks like NCNB. It is an understandable mistake, but it means that some people in the international financial community still labour under the impression that all of the "movers and shakers" in the U.S. banking system are based in New York, Chicago or Los Angeles and San Francisco.

Nothing could be further from the truth. The regional U.S. banks, especially those which were not lured by the big money centre banks into ill-advised lending to near bankrupt Third World countries, are enjoying rapid growth and above average profitibility. North Carolina is the home of several of the best-managed banks in the U.S.

NCNB, the biggest bank in the state, ranks only 25th in size in the U.S., while its arch-rival, Wachovia, ranks 40th in terms of asset size. However, looked at in terms of their stock market valuation, both banks move much higher up the league tables. NCNB is valued at $1.1bn, while Wachovia is valued at more than $900m.

NCNB has a bigger market capitalisation than First Chicago which, in terms of *assets, is nearly three times as* big. Its stock market valuation is not much smaller than that of Manufacturers Hanover Trust, the fourth biggest U.S. banking group.

Investors have long accorded the North Carolina banks with a premier rating. Salomon Brothers, the New York investment bank, has rated Wachovia the best-performing bank for three years running. Its annual review of theperformance of 35 leading bankholding companies is based on a composite of five criteria: profitability, credit quality, capital, liquidity and market valuation.

Salomon noted that Wachovia has sported a 17 per cent compound annual earnings growth for the last five years. In 1983 it reported the highest returns on both average assets and assets and equity, while posting the lowest net loan loss ratio of the 35 institutions surveyed. Its earnings continued to grow rapidly in 1984.

Wachovia is not the only North Carolina bank to win accolades from the investment community. NCNB Corporation ranked seventh in the Salomon Brothers rating.

In October, First Union, the third-biggest banking group in the state raised $25m of extra capital from British and European investors by selling them 900,000 of its common shares at $29¼—a premium of more than fifth over its book value of $23.85. Theshares of most of the major U.S. banks are currently standing at a substantial discount tobook value and they can ill afford to issue common stock like First Union.

In First Union's case, it is using the European money to boost a primary capital ratio of 8.45 per cent. This is more than a third higher than the average capital ratios of the top 20 U.S. banks and more than 50 per cent above the 5.5 per cent minimum capital ratios now required by the U.S. banking authorities.

Part of the reason for the premier rating of the North *Carolina banks is that they do* not suffer from the sorts of problems which have hit other U.S. banks recently. They are not big lenders to developing countries and they have not been affected by the difficulties in real estate, energy and agriculture which have hit many of the other regional U.S. banks.

The level of non-performing loans of the North Carolina banks is below average, their capital ratios are well above average as are their returns on capital.

Concentration

While few bankers dispute that North Carolina's banks are well managed, the local banking market is much more concentrated than in other areas, which might restrict the competition and allow the banks to earn higher than average returns. Seventy per cent of the state's deposits are controlled by the top five banks. This compares with 38 per cent in Florida and 19 per cent in *louisiana*.

As a result of this concentration, North Carolina banks tend to be bigger than their negihbours on average, even though *the state is only just over half* the size of Florida. NCNB, with assets of $14.5bn is the biggest bank in the Southeast and considerably bigger than the Florida-based Barnett Banks. It is also roughly twice as big as Georgia's biggest bank, Citizens and Southern.

Despite their recent success, North Carolina's banks face a number of difficult decisions in the coming years. Their growth has been tied to the success of North Carolina and while the state is prospering at the moment this has not always been the case. The local banks are conscious that if they are to continue to outperform others they have to broaden their base. *In particular, they will need to* find new sources of deposits.

NCNB made no secret of the fact that its recent $400m invasion of the Florida banking market was motivated by a need to tap Florida's rich and fast-growing deposit gase. More than a third of NCNB's 430 branches are now in Florida and some of its executives privately admit that the day might not be too far away when Florida overtakes North Carolina in its importance to the group. In just three years NCNB has catapulted itself into the number four position in the Sunshine State with assets of $5bn.

Merge

Many bankers admire the speed with which NCNB has moved into the Florida market but the other *North Carolina* banks are holding fire at the moment. The big imponderable is what will happen after inter-state banking is allowed.

North Carolina has passed an inter-state banking law which took effect on January 1. The law is similar to other laws passed in the South-east and allows North Carolina bank holding companies to acquire banks or bankholding companies in a dozen other states and the district of Columbia provided these states have reciprocal legislation. The state covered are: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, South Carolina, Tennessee, Virginia and West Virginia.

Sun Banks of Florida and the Trust Company of Georgia have already announced plans to merge and many bankers outside of North Carolina are waiting to see which way the NCNB, Wachovia and First Union will move in order to take advantage of the new legislation. All three banks have the sort of managements which might be expected to acquire banks rather than allow their own institutions to be acquired.

As the market capitalisations of both NCNB and Wachovia demonstrate, there are few banks in the U.S. let alone the South-east which could afford to mount a takeover bid for them.

So far none of the top three North Carolina banks has shown its hand but the pressure is on for them to move after January 1. There are a limited number of eligible marriage partners in the South-east. Sun Banks of Florida and the Trust Company of Georgia, the third and ninth biggest banks in th eSouth-east, have already announced merger plans and, given the concentration in the local North Carolina market, it is most unlikely that NCNB, *Wachovia or First Union* would be allowed to merge.

Among the major banks in the South-east that leaves Barnett Banks and South-east Banking in Florida, and citizens and Southern and First Atlanta in Georgia. They could decide to look north to Virginia, home of Sovran Financial and United Virginiia Bankshares, but the number of possible combinations is small.

State woos more high-tech investors

CONTINUED FROM PAGE 1

bone is still conservative. In the Senate race that culminated *with Mr Helms's re-election in* November — the longest, most expensive and one of the most fraught in U.S. history — the initially moderate Mr Hunt moved progressively to the Right to try to prevent Mr Helms casting him as a "dangerous liberal."

Mr Hunt at first ran on his record, claiming to have brought the state $13bn in industrial investment and 200,000 jobs during his two, four-year terms as governor. He championed the "Progressive" causes of education, new technology, economic growth, health care and a "Friendly, open decent society."

In the end, Mr Helms backed by a nationwide Right-wing organisation and millions of dollars in campaign funds, was too much for him. Mr Helms ran successfully on his friendship with Mr Reagan, and the broad themes of patriotism, religion, American "Strength" and the ten commandments.

Although the more progressive North Carolinians are increasingly resentful that their state's image should be defined at national and international level by Mr Helms, the state's conservative streak prevailed, 52 to 48 per cent, thanks largely to his massive support from white males.

Vulnerable

Mr Helms will *now* have his work cut out to make good on his campaigning promises to protect the state's tobacco farmers from cuts in government support, as Mr Reagan looks for ways to reduce federal budget deficits by cutting government spending. The long-term future of the tobacco industry is in serious question as the U.S. turns increasingly away from smoking — making North Carolina, the nation's number one cigarette producer, particularly vulnerable.

The textile industry, the state's biggest employer, faces the continuing threat of foreign competition. Both dangers increase the need for still further diversification. Change is bound to come. But if North Carolina's history is any guide, it is likely to be gradual rather than dramatic.

* *The Book of America*, by Neal Peirce and Jerry Hagstrom, (Warner Books).

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Cyprus peace at risk

THE BREAKDOWN of talks in New York between President Spyros Kyprianou and Mr Rauf Denktash, the Greek and Turkish Cypriot leaders, may not be final. There is still a reasonable chance that Mr Perez de Cuellar, the UN Secretary-General, who played such an important part in arranging the first face-to-face meeting in six years between the two men, can bring them together again.

Yet it would be naive to deny that failure to agree even on a framework for future negotiations on the creation of a federal state is anything but a severe setback to prospects for a lasting solution to the age-old Cyprus problem.

Rightly or wrongly, the hopes of both the Greek and Turkish Cypriot communities, as well as those of international observers, had been buoyed up by the progress made in the so-called "proximity" talks leading up to the Kyprianou-Denktash summit. On territorial as well as constitutional issues, the Turkish Cypriot side had made a number of unexpected concessions which, while not wholly satisfying President Kyprianou, at least opened up real prospects for an agreement.

Everyone was agreed on at least one point. The moment was ripe for a Cyprus settlement. For the first time since the Turkish invasion of the northern part of the island in 1974, mutual expressions of goodwill outweighed the more normal exchange of invective.

No-one expected President Kyprianou and Mr Denktash to come up with a detailed blueprint for a Cyprus settlement. Their task was to decide, on the basis of broad agreement on a number of fundamental problems, how to continue the negotiations in more detail, probably by the setting up of specialised working groups.

Misunderstanding

What then went wrong in practice? It appears there was a basic misunderstanding between the two sides from the very beginning about what the purpose of the New York summit should be.

Long before the summit meeting took place, Mr Denktash was putting it about that his meeting with President Kyprianou would be no more than a formality. It would consist merely of the signature of a draft document which had already been agreed during the "proximity" talks, at which Mr Perez de Cuellar acted as go-between.

As long ago as the middle of last month, the Greek Cypriots were stressing that this was certainly not their understanding of what the New York summit was about. Though not denying that the Turkish concessions had brought the two sides much closer, President Kyprianou always made it clear that a number of important points needed to be clarified before an agreement could be reached.

Inflexible

Theses included setting a timetable for Turkish troop withdrawals from the island, the nature of the international guarantees for the future federated state and the extent of the Turkish veto power in the new state's institutions.

Given the depth of the disagreement between the two sides on all these issues and many more, President Kyprianou's position that more negotiations were necessary at the highest level, if any viable document was to come out of the summit, was entirely reasonable. If the Greek Cypriot leader can be faulted, it is perhaps that he wanted too many details spelled out at this early stage of the negotiations.

Mr Denktash, however, proved to be astonishingly inflexible. Anyone who approaches such a delicate summit negotiation with the "take it or leave it" attitude which the Turkish Cypriot leader adopted, risks laying himself open to the charge that he never wanted the meeting to be a success in the first place.

With Mr Denktash refusing to commit himself at this stage to another meeting with President Kyprianou, it is an understatement to say that the momentum towards a Cyprus settlement has been lost.

Disappointed as he must be, it is up to Mr Perez de Cuellar, as well as other powers involved such as Turkey, Greece, the U.S. and Britain to make a final effort to make the Cypriots see reason. In particular, Mr Denktash must be restrained from any untoward political act such as the organisation of elections or a referendum in northern Cyprus, a move which could scuttle a peaceful solution to the island's problems for years to come, if not for ever.

Gas: the case for free trade

AFTER A year of prevarication, the British Government has promised to make up its mind by the end of this month whether to permit British Gas to import $30bn of gas from Norway's Sleipner field.

The indications are that Whitehall opinion is moving against the deal, chiefly on the grounds that the import of such a large volume of gas could discourage UK gas production and thus reduce both the Treasury's North Sea tax take and the potential of the offshore oil and gas industry to create jobs.

These negative arguments are held to have been strengthened by the slide in sterling. The price for Sleipner gas agreed one year ago by British Gas and Statoil of around $4.10 per million BTUs today converts to a price of about 36p a therm, compared with 27p a therm when the deal was struck and a going rate of 23p a therm currently on offer from British Gas to UK gas producers.

This argument has some force, but not as much as its proponents, a group of oil companies led by BP, suggest. The fall in sterling also means higher prices for UK gas since the sterling price of oil is a major element in the escalation clauses of UK gas contracts. Also, it would be wrong to make a decision about imports from Sleipner, not due to start until the early 1990s, on the basis of today's exchange rates.

Supply gap

British Gas's main argument in favour of Sleipner is that it caught the Norwegians at a moment when they had no other buyer in sight and got a good price for a large volume of gas which will be needed to meet demand in the 1990s.

The Government itself admits there is a supply gap to be filled. It published figures last week showing a Sleipner-size hole in the mid-1990s. BP has sown doubt by talking about major discoveries, but no-one outside BP is in a position to weigh their significance.

That supply gap, however, need not be filled by Sleipner. Alternative suppliers exist; most obviously in the Netherlands, but also the Soviet Union and Algeria, both connected to the west European gas grid. The difficulty is toevaluate British Gas's argument that the Norwegian price is and will remain unbeatable.

It is not possible for ministers to make a good judgment on this point. No-one knows what the price of gas will be in 1990, although it is unlikely, in an oversupplied market, that prices will go higher.

But the main lesson for ministers in their conundrum over Sleipner is that they would not even need to be making a guess if UK gas prices were responsive to international market forces.

There has never been a better time to take a decisive step towards international free trade in gas because the gas glut means, quite possibly, that the impact on UK retail prices would be modest; in the medium term it may even be beneficial. But at least then the consumer would be paying the economic price for gas and would receive the right market signals for investment

Import deal

This means the Government should either approve Sleipner, whilst simultaneously permitting UK gas exports; or veto Sleipner, whilst encouraging a smaller, more flexible import deal from the Netherlands and again permitting UK exports.

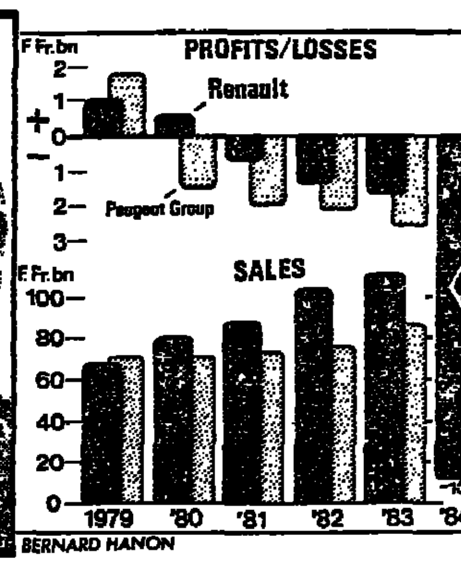
The worst possible decision would be to veto Sleipner and retain the status quo on exports. That would be to deprive British Gas of an unacceptable degree of pricing power, only to hand it to the oil companies. The gas consumer and, ultimately, the economy would suffer.

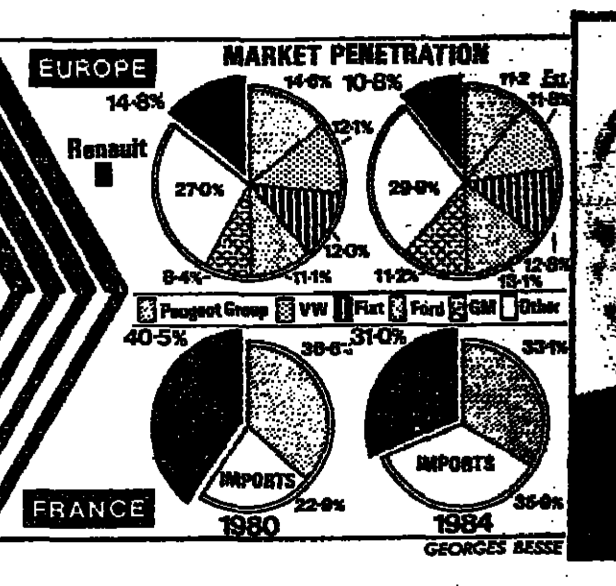
In the long run, the security of Britain's gas supplies lies not in an insular reserve management policy but in a robust mix of foreign and UK gas. As the major gas producers connect themselves to the European gas grid, the nature of the market is changing from one dominated by long term contracts, to a mixture of long, short and spot markets deals, reflecting a similar pattern of change in the oil market. Since the Soviet Union alone has 44 per cent of the world's gas reserves, it is folly for Britain to turn its back on this supply chain.

If Britain moves decisively in a free market direction, this will be the last time ministers and officials waste their time arguing the detail of a commercial gas contract.

FRENCH CAR INDUSTRY

BERNARD HANON





GEORGES BESSE

Chris Walker

Ruthless time at Renault

By Paul Betts in Paris

RENAULT has dramatically lived up in the past 48 hours to its reputation of being "le plus grand theatre de France"

With extraordinary speed and unusual brutality, the Socialist Government at the weekend dismissed M Bernard Hanon, the chairman of the troubled state-owned car group, which is expected to report losses of up to FFr 10bn in 1984.

M Hanon was in New York on Saturday to attend a board meeting of American Motors Corporation (AMC), the U.S. car company 46 per cent owned by Renault.

He was woken up by an assistant in Paris who read him out over the telephone the front page of the pro-Socialist Le Matin newspaper announcing that M Laurent Fabius, the Socialist prime minister, had decided to replace him at the head of Renault by M Georges Basse, chairman of the nationalised Pechiney aluminium group. After returning by Concorde to Paris, M Hanon was left with little alternative but to hand in his resignation yesterday.

His dismissal is not altogether surprising. For months there had been rumours that the Government planned to replace him

But the sudden annd ruthless manner in which the Government acted after President Mitterrand curtly announced last week on national television that measures would soon be taken to resolve the crisis at Renault, took every one by surprise—even the unions. The resignation left the car group, already battered by months of criticisms and declining performance, in a state of profound shock yesterday.

The Socialist Government, with crucial parliamentary elections looming next year, had grown increasingly impatient at the growing losses and industrial problems of a group which has traditionally been a symbol of what is best in French nationalised industry.

Since coming under the orbit of the state in 1945, Renault has been regarded as a flagship of French industry at home and abroad. Employing 200,000 people in 25 countries including 150,000 in France, with annual sales of more than FFr 110bn, a dominant position on the French and West European markets, and a bold approach to the U.S., Renault was a model for the French left to justify its policy of nationalisation when it came to power in 1981.

Ironically, it was at about this time that the French car industry in general, flushed after a decade of expansion in the 1970s, started entering into one of the worst crises in its history. In 1981, the year M Hanson became chairman, Renault dropped into the red with a loss of FFr 690m, although its automobile division was still profitable. That same year, the private Peugeot group, saws its losses increase to FFr 2bn as it struggled to absorb the merger of Chrysler's European assets acquired two years earlier.

Government policies holding down domestic car prices and a wave of labour unrest at French car plants in 1983 damaged the domestic car industry. The initial expansionary policies of the Socialist Government helped new registration on the domestic French car market surge above the 2m level in 1982 and 1983. But although the volume sales of the two domestic producers rose sharply in those years, the effect on earnings was quite the reverse. New Socialist government labour regulations caused French car industry labour costs to rise 14 per cent while the price freeze further eroded profit margins.

However, these policies enabled foreign manufacturers to make major inroads on the French market.

The situation worsened for the domestic car makers after the Socialist U-turn in economic policy which began in 1982 and was confirmed in 1983 when austerity and rigour replaced expansion. This led to a dramatic fall in the domestic car market with total new registrations falling from a little over 2m in 1983 to 1.76m last year.

But the spotlight at first was on Peugeot. The private group felt threatened by possibe moves to try to nationalise it. Hence, it was reluctant to call on state financial aid to bail it out of its financial difficulties. With losses mounting, it announced a Draconian programme of lay-offs which led to major labour clashes at the group's Talbot plant at Poissy, outside Paris.

Peugeot called in an outsider, M Jacques Calvet, a banker who was head of the Banque Nationale de Paris until the Socialists took over, to help it resolve its problems. M Calvet's approach was from the beginning tough and uncompromising. He succeeded in cutting the French workforce of the group's Peugeot, Talbot and Citroen divisions by about 12,000 people. Helped by the commercial success of the Peugeot 205 supermini and the Citroen BX medium-sized saloon, Peugeot is now on a slow road to recovery.

M Calvet has been rewarded by taking over as chairman of the private group last September from M Jean Paul Parayre, the main architect of Peugeot's international expansion into a major volume producer. What is more, Peugeot, after being deeply criticised by the Socialist government for its brutal approach to lay-offs, is now increasingly being praised by the administration.

> The Government is resigned to the fact that Renault may have to make compulsory redundancies for the first time

M Fabius is now insisting that nationalised groups return to profit either this year or at the latest by 1986. President Mitterrand made it clear during his teelvision broadcast last week that the Government was not prepared to support lame duck industries if it meant that growth industries would suffer. In the case of Renault, the Government appears to have acted—albeit principally for political motives in the run-up to next year's legislative elections—like a private shareholder increasingly alarmed by his company's growing losses.

The parallels with the Peugeot situation are striking. M Hanon, like M Parayre, is widely respected in the car industry and prefers to be out of the limelight. H Hanon was also the main architect of Renault's expansion in the U.S. where the car group has invested $545m in the past five years and ownsh a 46 per cent stake in AMC and a 41 per cent stake in Mack Trucks.

At Renault, M Hanon sought to introduce new management techniques and to decentralise responsibilities more than in the past. If M Parayre is largely responsible for the Peugeot 205 supermini whose success M Calvet is now reaping, M Hanon was also behind the original Renault 5 mini which catapulted the group to the top of the European charts in the 1970s.

Friends of M Hanon say that the 53-year-old chairman of Renault has been made into a scapegoat for a situation which is as much the Government's fault as the result of his own management errors. M Hanon has always sought to adopt a so-called "soft" approach to restructuring. Last October, when he finally announced a long awaited restructuring plan for the group's French car division, he said it would be done without compulsory lay-offs and in consultation with the labour unions. But the unions, especially the pro-Communist CGT always critical of his U.S. strategy, turned the plan down before Christmas.

This "soft" approach is part of Renault's long tradition of what the group regards as innovative labour relations. For years, Renault has paid better wages than other car manufacturers in France. It has never made any compulsory redundancies. Indeed, the group's history of labour relations was at first hailed by the Socialist administration. But in the new circumstances of the car industry in general, the Renault model, as it is often called, was no longer able to deliver the required results.

The state group, which is seeking to cut 9,000 jobs out of a total of 89,000 in its French car division and another 3,000 in its truck division this year, is still hoping to reduce employment by early retirements, repatriation grants for immigrants and other incentives.

But the Government appears resigned to the fact that Renault may be forced to make compulsory redundancies for the first time in its history. Mme Cresson, the Industry Minister, said she expects the group to need an additional 5,000-6,000 job cuts in its French car ddivision this year on top of the 9,000 already announced.

Renault has also been weighed down by its loss-making truck operations, originally the fruit of the Berliet and Saviem marriage regrouped into Renault Vehicules Industriels (RVI) to give France the economies of scale to compete in the fiercely competitive truck sector.

But it is the current losses in the car division (profitable in 1983 with modest earnings of FFr 20m in a year when the group as a whole had losses of FFr 1.6bn) that caused the main anxieties to the Government and ultimately cost M Hanon his job. More than half of last year's estimated loss of FFr 10bn is expected to come from the car division. Renault has continued to lose market penetration in France and dropped to 31 per cent of the home market last year behind Peugeot which overtook it with 33.1 per cent.

M Hanon's product strategy was also starting to come under increasing fire. The new Renault superfive mini launched last autumn has failed so far to spearhead the troubled group's much needed market recovery. Renault's financial requirements were at the same time continuing to grow. The group is now seeking FFr 4bn in capital grants and soft loans from the Government this year or more than double the FFr 1.95bn it received last year. For that matter, Peugeot is also seeking FFr 2bn in soft loans from the Government this year for although the private group is showing tentative signs of recovery, its financial situation remains precarious.

Under the circumstances, the Socialist government decided at the weekend to follow Peugeot's example and parachute an outsider to help drag the group back to recovery. Like M Calvet, M Georges Besse has no experience of the car industry. M Besse, whose appointment was confirmed by the Government yesterday, will be the first outsider to take over a job regarded, with the chairmanship of the Elf-Aquitaine oil group, as one of the two top positions in the French industrial state sector.

M Besse, who is 57, has played a leading role in the French nuclear industry and was chairman of Cogema, the French nuclear fuels concern, before being placed in charge of the nationalised Pechiney aluminium group by the Socialists. A burly and god-humoured man, M Besse is also regarded as one of the toughest and most independent-minded of the French nationalised industry managers.

At Pechiney, through a sweeping reorganisation programme, he has managed to revive morale and to restore, as one of his close assistants put it, "some punch in this venerable old group."

He has, nonetheless, returned Pechiney to profit with estimated earnings of about FFr 550m last year. In 1982 Pechiney had an overall deficit of FFr 4.6bn.

M Besse's will now have to play miracle worker at Renault, a task which is likely to be considerably more difficult and challenging than the restructuring of Pechiney. He will be under pressure to produce some early results to justify the Government's fierce and swift intervention at the weekend.

The Government is clearly hoping that M Besse's arrival will provoke the necessary shock which it hopes will put Renault back on its feet in time for the 1986 elections. But it is a risky decision which could equally backfire.

Certainly the mood at Renault yesterday was glum, to say the least. "For Renault, the events of the last 48 hours have felt as if the Government was kicking in the stomach a crippled dog," one company insider remarked with bitterness.

Men and Matters

Smiles of the paper tigers

A mutual admiration society is flourishing within the higher echelons of the British newspaper world.

Among its members are, Robert Maxwell, publisher of Mirror Group Newspapers, David Stevens, chairman of United Newspapers, and Ian Irvine, managing director of Fleet Holdings which owns Express Newspapers.

Through his Pergamon Press, Maxwell last week sold a 15.7 per cent stake in Fleet to United for £30.6m. The financial arrangements for the deal will leave him with £20.7m in cash plus a 4.6 per cent stake in United.

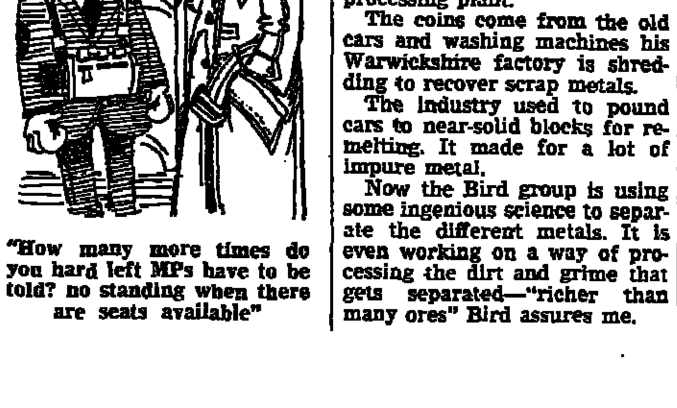
Commenting on the deal—which is understood to have yielded a £6m profit for Pergamon — Maxwell expressed his delight at having an interest in United, which he described as being "brilliantly led." This remark was clearly intended as a compliment to Stevens who has greatly expanded United during his four years as chairman.

The compliment has been returned — with interest — by Stevens who says he admires Maxwell as a "very intelligent, very tough man who has achieved a great deal." He also says that when Maxwell says he will do something "He honours it every time." "I like him," Stevens adds firmly.

Stevens is a quick-talking businessman who appears a trifle shy compared with Maxwell's extrovert flamboyance. But Stevens is well up with the game as he demonstrated again yesterday. He started the week by buying the Californian magazine group Miller Freeman for £8.3m cash and a future payment which will beb ased upon profit performance.

Irvine, who spent much of his career with Touche Ross, the accountancy firm, is the quiet man of the trio both in dress and manner. He too is said to have voiced his respect for the irrepressible Maxwell's abilities.

But he may have concluded that having Maxwell as a major shareholder in Fleet was to harbour a worrying unknown quantity. Anyway, Irvine is understood to prefer Stevens as a major shareholder in Fleet.



"How many more times do you hard left MPs have to be told? no standing when there are seats available"

Bird seed

Tony Bird is smiling all the way to the bank with his bag, averaging £200 a week, in coins collected from his scrap metal processing plant.

The coins come from the old cars and washing machines his Warwickshire factory is shredding to recover scrap metals.

The industry used to pound cars to near-solid blocks for remelting. It made for a lot of impure metal.

Now the Bird group is using some ingenious science to separate the different metals. It is even working on a way of processing the dirt and grime that gets separated—"richer than many ores" Bird assures me.

But the richest by-product from his shredder is the coinage that comes from odd corners and recesses of the car. He offers to bonus to his employees to hand them in.

Bird gave me an old-fashioned I ook when I suggested it must be a good bonus to persuade them not to pocket the bounty. But he admits that few ear-rings are handed in.

Mice and men

Anything the BBC can do the Independent Broadcasting Authority can match.

Such is the spirit of rivalry that the IBA is now pursuing its rival down the pathways of bureaucracy.

The BBC has no fewer than six inquiries taking place at present into various aspects of its operations. Bill Cotton, managing director of BBC television, has been heard to say the corporation has inquiries, "like other people have mice."

The IBA, until now innocent of such a plague, is inviting tenders from accountancy firms for an inquiry of its very own.

To begin with the money men well be looking at how the IBA's information services are run. Later the whole business could come under scrutiny.

Growing pains

You have heard of the successes of China's moves towards private enterprise—now the Peasants' Daily, alas, has to report at least one significant failure.

Chen Zhixiong an dhis nine-strong family won fame in 1979 by quickly grasping the opportunities for specialised, private farming offered by the dismantling of the rural communes.

Under the new system, land and facilities were contracted to farmers in return for payments in cash or produce.

But according to the newspaper, Chen rashly contracted out too many fish ponds, planted rice without really knowing how, and started growing fruit without realising there would be a glut. He is now some £50,000 in debt.

Chen, however, may be down but he is not yet out. His local authority has decided to help him sell his fruit, give him technical advice and reschedule his debts. And he has signed new contracts for fish ponds.

Initial value

Currencies like the Albanian lek or Botswana's pula do not often make the headlines, even in the FT. But their day will surely come.

In preparation for it, perhaps, the Geneva-based International Standards Organisation has published a list of approved abbreviations for national currencies.

Some are predictably prosaic—the USD (dollar), the GBP (sterling) and the JPY (yen).

But the money markets may be enlivened in the future by the TOP-rated Tongan palanga, the MAD Moroccan dirham, and the jass-oriented Bolivian peso, BOP.

The MOP, Macau's pataca, may have some appeal for clearing banks. The Canadian dollar sounds merely CAD-ish; but the fortunes of the Colombian peso, the COP, will clearly be tied to that of the Nicaraguan cordoba, the NIC.

In times of stress and strain, the currency I rate with the most chance of being rescued first is the Somali shilling. Its approved acronym is SOS.

Casualty figures

The accountancy profession may not be amused—but many MPs were tickled by Home Office minister, David Mellor's description of the accountant's role as "the man who goes on to the battlefield after the battle is over to count the dead and bayonet the wounded."

Observer

Letters to the Editor

Ganging up on the dollar

From Mr R. Corker

Sir,—It would appear from Mrs Thatcher's revelations on Women's Hour (January 17) that she considers the pound in everyone's pocket to be more valuable than the (roughly) one dollar's worth of U.S. goods it will buy. The Organisation for Economic Co-operation and Development's recent estimate (Lombard, January 10) of the U.S. purchasing power of sterling lends credible support to her belief. So why have the monetary *authorities of the non-dollar* countries not ganged up on the overvalued dollar?

The reason would appear to be scepticism as to the effectiveness of exchange intervention — "spitting in the wind" as one American official recently described it. Certainly there is a strong intellectual case for non-intervention in normal circumstances. If a central bank were to sell its foreign reserves against the equilibrium movement of the exchange markets then it would have little influence on the long-run path of the exchange rate. Simulations of Bank of England intervention on our computer model of the UK economy support this proposition.

But *it is not clear that* the recent strength of the dollar is an equilibrium movement—i.e. warranted by world economic developments. It is quite possible that the dollar's strength and hence sterling's weakness is mainly a result of unsustainable speculation (although we would not wish to deny that weak oil prices and *uncertainty about UK monetary* policy have played an important role in recent developments). If so, the bubble will burst sooner or later and the pound will be restored to a more realistic value.

In these circumstances there is a legitimate case for using exchange intervention to bring forward the collapse of the speculative bubble. But even then, conventional intervention is unlikely to be effective because the major central banks have insufficient reserves to beat the market.

The answer is for all these central banks—acting together—to accumulate as many reserves as they need by first buying dollars (thus aggravating the problem temporarily), then selling these newly accumulated reserves all at one go without warning. The victims of the intervention would be precisely those speculators who have pushed the dollar to unsustainable heights.

There is a further more subtle advantage of the inter*vention scheme proposed above.* If the banks announce their strategy clearly in advance, but do not reveal the date at which they suddenly sell their accumulated reserves, then *increased risk* to speculators being caught in the wrong currency may be sufficient to burst the speculative bubble straight away.

At Washington, finance ministers stated that joint exchange intervention is being considered if the march of the dollar continues. If they are serious in their intentions then a bold strategy will be required to break the spiral of expectations. Merely flirting with conventional exchange intervention — burning a few reserves here and there—would be a waste of time.

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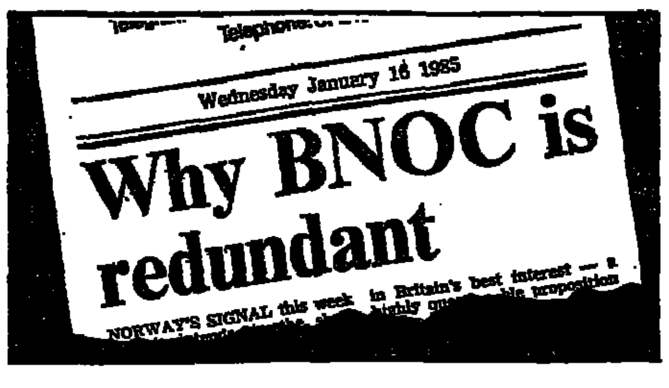


The UK's policy on oil

From Mr A. Salmond

Sir,—Given that official oil *policy is in a state of confusion* the Government probably could use some coherent advice on *this subject. More's the pity* then that your leader of January 16 chose to concentrate on the secondary question of the role of British National Oil Corporation rather than on the fundamentals of UK oil *policy.*

The substantive issue is not whether BNOC should be abolished but whether the UK should co-operate with or confront the Organisation of Petroleum Exporting Countries. If the former policy is decided upon then BNOC should be retained, official oil prices held and production policy brought into line with pricing policy. If a policy of confrontation with Opec is pursued then the abolition of BNOC will certainly not save the UK from the consequences of such a *foolhardy strategy.* The suggestion in your leader that it is the mere presence of BNOC (rather than its irresolute pricing policy) which has soured relations with Opec is a rather curious confusion of the messenger with the message. Equally spurious is the belief that BNOC trading losses (almost 90 per cent of which are recouped through taxation) should be a major consideration in this matter.

I am less than convinced that in the present position of no substantial Opec surplus, lower *oil prices would offer a major* stimulus to the world economy. What is certain is that even the threat of lower oil prices can pose substantial problems for the UK. An oil price collapse would seriously disrupt the economics of all oil exporters not to mention the international financial system. The outlook for the continued development of the relatively high cost oil around Scotland would be particularly poor. The initiative in the oil market would gradually move back to Opec and an oil price "hike" would follow in the medium term.

As the only major Organisation for Economic Co-operation and Development country which is also a major oil exporter UK schizophrenia on oil policy is understandable but not defensible. It should be possible to pursue a more sensible role as a stabilising influence in world oil markets, a moderating influence when prices are firm and a steadying influence when prices are weak. Instead the UK has lived off the backs of Opec, taking cartel prices while increasing output and now being the first (or second) to panic when the going gets tough. The Opec countries are unlikely to forget such perfidy and who can blame them?

Professor Maynard (January 15) could well be correct that, at current dollar levels, an oil price of $24 would be an optimum level for the world economy. But to risk a downward *price spiral in pursuit of* this relatively modest change is to venture high stakes for an uncertain return. It is the sort of risk that seems acceptable when you're playing with other people's chips.

Alex Salmonds.
Rivaldsgreen House,
Friarsbrae,
Linlithgow.

Multi-fibre arrangement

From Mr I. Bradley

Sir, — The Silberston report recommending the abolition of the multi-fibre arrangement was given an unequivocal welcome by you in an editorial last month. Published criticism of the report has since been represented as the cries of those with a vested interest in keeping an inefficient British industry *going at all costs.*

I do not wish to argue about the magnitude of the gains to British consumers or the losses of jobs in the textile industry that Silberston estimates would result from "liberalisation," but I would like to point out that the estimated large potential gains to consumers comes not from the benefits of free trade, *but is largely a straight transfer* payment from the newly industrialised and less-developed countries.

The explanation of this is simple, and is in the report although not made explicitly. He estimates that price reductions after abolition would give £500m annual gain to consumers and a £165m annual loss to our *domestic textile industry.* The net gain of £335m comes from a loss of £330m in "quota rents" to the low-cost countries and a mere £5m from trade liberalisation. This loss in quota rents *arises* from these countries having to sell their products at lower prices than previously. The MFA confers some monopoly power to all of the exporting countries and its removal would result in a loss *of this power.* Obviously some countries would lose more in quota rents than others — in particular some of the poorest nations that *do* not at the moment use all their quotas would *suffer* a fall in price and very probably a fall in exports as well.

Since the benefit to consumers is basically a transfer payment — the trade liberalisation benefit being negligible on Silberston's figures — the abolition of the MFA is a remarkably crude way to accomplish the transfer of this rent from the developing nations. If we are determined to make such a transfer there are many other *strategies we could adopt.* These range from negotiating a new agreement where the importing rather than the exporting countries administer the quotas and receive quota premiums, to abolishing the MFA but subsidising the output of the British industry. Any economist could produce countless such policies, and while many could *be ruled out as politically infeasible* it is remarkle that Professor Silberston's agenda seemed to be MFA or no MFA with no consideration whatever of any alternatives.

There is no reason why the British textile industry and in particular the workers in that industry should suffer the cost of making the transfer. Silber*ston misleadingly suggests* that the MFA saves jobs here at a cost of something between £10,000 and £50,000 per job per year. Looking at the cost of retaining jobs without the quota rent transfer payment, we are left with a total cost of jobs saved of £5m per annum that comes from "better world resource allocation from freer trade." Since he estimates that between 10,000 and 50,000 jobs could be lost, this means that restrictions on trade save jobs at a cost of between £100 and £500 per job per year. This is *a remarkably cheap job retention scheme,* given that any job losses would be concentrated in very definite regions, that the industry even with the MFA is suffering and will continue to suffer a severe secular decline and that the present government's attitude to regional aid may continue for some time.

Negotiations between the EEC and the exporting countries for a new MFA are going to be exceedingly difficult. It is to be hoped that the Silberston report is not used as a weapon to help extract rent *from third-world countries at all* costs but that consideration is given to a reallocation of that rent in favour of some of the poorest nations and the well-being of textile workers here.

Ian Bradley.
Department of Economics,
University of Leicester,
University Road, Leicester.

Public and private sectors

From the Liberal Chief Whip

Sir,—Malcolm Rutherford is surprised (January 18) that the Alliance voted against the Labour motion on unemployment following the debate in the House of Commons on January 15. This was because the motion specifically called for the concentration of resources at the Government's disposal on the public sector. Liberal and SDP MPs put down a comprehensive amendment demanding "an investment stimulus affecting both the public and private sectors," but *this, as usual, was not selected* by the Speaker for discussion or division even though it might have attracted wide support. We were therefore forced to vote negatively: against both the Labour motion and the Government's own complacent amendment.

We were as disappointed as Mr Rutherford that the Labour Party missed the opportunity to table a motion around which the other opposition Parties as well as dissident Tories could rally. It is not the Alliance that is ineffective, but the outdated procedures of the House of Commons, which still preserve the trappings of a two-party polarised system despite the three-party reality. Although there was never much of a chance that we could have had the Government "on its knees" *as Mr Rutherford suggests,* it might have been considerably embarrassed by the degree of support that the Alliance amendment would have received.

Alan Beith.
House of Commons, S.W.1

Catch 22 for the Don

From the Marketing Officer,
South Yorkshire County Council

Sir,—Your *sympathetic* treatment (January 15) of the devastation in the lower Don Valley, a part of South Yorkshire hardest hit by the colossal contraction in UK metal manufacture *was much appreciated.* One slip of the pen omitted a full reference to the "Derelict land grant," significantly withheld in the lower Don Valley at a time when its availability could ac*celerate the restoration of sites* and their return to useful occupation. The definition of derelict land for grant purposes is "land so damaged by industrial or other development *that* it is incapable of beneficial use without treatment." The interpretation given to *this* in the case of the Don Valley by the DoE is that the land is not derelict because it has a positive market price, however low. Such tactics and attitudes to urban devastation can only prolong the agony and unenviable task of the local authorities entrusted with dealing with the *problem.*

Ian Johnson.
County Hall,
Barnsley, S. Yorks.

A wider array of views

From Dr Frank Heller.

Sir, — John Cassels, the director-general of the National Economic Development Office, makes some very trenchant remarks about his organisation's task in his letter of January 15.

He attempts to rebut Samuel Brittain's criticism by showing that no single gimmick could successfully attack deep-seated and apparently enduring problems like unemployment. He *then leans heavily* on the argument that economists are at sixes and sevens when it comes to analysing causes and prescribing remedies. He stresses his discomfort with economic analysis by using the term "puzzlement" three times in describing their uneven contribution to the nation's problems.

Having read the letter twice, I have to confess to my own puzzlement which takes me back to the time when I took a degree at the London School of Economics several decades ago. *How is it that in spite of fairly* consistently poor records of prediction and a wider disarray of views than in other social science disciplines, most policy-makers find it necessary to surround themselves exclusively with advisers from this particular area *of study?* Are the causes and consequences of unemployment really only economic? Does the education system, the social fabric, deep-seated pre-judgments, technological choices, apprentice schemes, trade union structures, etc. etc. play no part? It is my experience *that specialists* in the areas of knowledge I have mentioned, while not of one mind, show significantly lower levels of disagreement and despair than economists. In Britain, however, they are never consulted on a regular basis.

Mr Cassels meets the prob*lem of irreconcilable and en*trenched disagreements among practitioners of the "dismal science" by an arrangement "to get technical help from economists of several different ages, views and degrees of puzzlement." This is much superior to the solution adopted by British Governments which like to enlist consensus in their own image.

(Dr) Frank Heller,
Netherlands Institute for
Advanced Study in the
Humanities and Social Sciences,
Meyboomlaan 1,
2242 PR Wassenaar,
Netherlands.

Jumping the gun on tapes

From the Director General,
British Phonographic Industry.

Sir,—The director of the National Consumer Council (January 12) seems to jump the gun in his criticism of proposals for a copyright royalty on blank audio tapes. The Green Paper has not yet even been published.

Within the record industry, we are concerned about fair payment for our endeavours and we have existing mechanisms for collecting such payments. The tape manufacturers and the National Consumer Council seem to be of the opinion that no payment need be paid for obtaining music. In our discussions with the Government we have argued for royalty payments on blank audio tapes that will go some way to securing fair payment for the music copied. Most blank tapes sold are designed to accommodate two LPs, and presumably sell on this merit—90 per cent of blank tapes are used for copying music.

The total acquisition of music *has risen steadily over the last* twelve years, the price of records in real terms has dropped significantly, imports of blank audio tape have risen to some 80 million per year, while the base of the UK record industry has shrunk.

As a young industry, we have been at the forefront of exporting new ideas and products; given fair legislation, we can offer new job opportunities for youth in the UK.

John Deacon.
273-287, Regent Street, W1.

The case for an export bank

From Mr L. Scruton.

Sir,—The creation of an export bank (The case for a UK export bank, January 16), has been advocated since 1966 when Derrick Edwards introduced the idea. He outlined his scheme in an article in your paper on August 7, 1968. The attitude of the major banks to the concept seems as unchanged today as it was 19 years ago, but it is encouraging to know that Government is now taking more than a passing interest.

Leonard Scruton.
138, Mandeville Road,
Hertford, Herts.

UK telephone revolution

Now for the hard cell

By Jason Crisp

IF YOU see someone talking animatedly to themselves in a *car, do not assume that they are necessarily mad.* Some of the new cellular radio mobile telephones which have just come into service have a loudspeaker system which means you can keep both hands free for driving.

The much-trumpeted cellular radio service has begun in the Greater London area several months ahead of schedule as the two competing network providers—Racal and a joint venture between British Telecom and Securicor—vied to be first. *The service has started* so quickly that there is now a temporary shortage of mobile telephones.

Cellular radio has begun just two years after the government gave the final go-ahead when ministers forecast a massive expansion of mobile communications in Britain creating 10,000 jobs and generating a *new export business.*

Cellular radio is an ingenious technique which uses microchip technology to exploit the crowded airwaves more efficiently. It means more people can use radio telephones in cities, and as the market is much bigger, so prices are also lower.

The speed at which the service thas been introduced in the UK and its success in other countries has led to growing confidence—but there are still doubts. So far virtually all the equipment being used to run the two UK networks and all the mobile telephone sets are imported.

Estimates of the impact of cellular radio grow every week. Arthur D. Little, the consultants, now expects the U.S. alone to have between 4m and 6m mobile radios by 1992 and thinks there is a potential demand of 2.6m-3.8m sets in Europe. *Prices are expected to* fall dramatically, too. Mr Ray Northcott, a consultant with Pactel, says the price of a portable hand-held telephone, which is currently close to £2,000, will be below £400 by the end of the decade. And Oki, a Japanese company, is developing a wristwatch telephone to turn an aspect of science fiction into fact.

The system works by dividing the country into the small cells—some less than two miles across—around low-power radio transmitters. Radio frequencies can then be reused many times in unadjacent cells without interference. The clever part is in the microchips, which automatically and almost imperceptably *switch frequencies* as the user moves from one cell to another.

The radio system is connected to the public telephone network which makes it possible to dial *anywhere in the world.* (The system should not be confused with cordless telephones which just allow someone to roam a few hundred feet from their home telephone.)

The great, and as yet unanswered, question is how many people will want mobile tele*phones. Racal, which is to* invest £200m in its Vodafone network by 1990, has been consistently more optimistic about the market than Cellnet, the joint venture between BT and Securicor which is making a similar investment. Racal predicts there will be nearly 500,000 people with mobile telephones in Britain by the end of the decade, while Cellnet's estimate is half of that.

The penalty for such a swift introduction has been a minimal British content

Both estimates involve a massive expansion of the existing mobile telephone market of about 40,000 users, mainly senior executives. The limitation of the current mobile telephone system is the number of people who can use it in central London where there is the greatest demand and congestion.

The same problem will occur *with cellular* when there are 80-100,000 mobiles in the capital, says Mr John Carrington, head of BT's Cellnet. Racal is more optimistic about the number of provincial customers and believes developments in technology will mean that number will be increased by the end of the decade.

Cellnet and Vodafone base their optimism on cellular radio's success in the Scandinavian countries. Cellular radio has been operating for over *three years in Sweden, Norway,* Finland and Denmark. It has over 120,000 subscribers and is growing so rapidly that the Swedish telephone authority has repeatedly had to revise its investment plans upwards to meet demand.

Mr Malcolm Ross of Arthur D. Little says: "The people who are buying it are those you would least expect. At first everyone assumed it would be people like doctors, dentists and *lawyers. In fact doctors are the* last people who want to be easily contacted. The market is those with a real commercial need to be in touch, like plumbers and construction site foremen."

An Arthur D. Little survey of Swedish users found a very high proportion in road haulage, construction, service and repair *organisations and the car trade.* "No doctors, no politicians and no playboys, all of which had been predicted," adds Mr Ross.

But Racal thinks the rich will be an important source of demand for cellular in Britain. Mr Gerry Whent, chairman of Racal-Vodafone, says: "Every Porsche owner, every Rolls-Royce owner and half the Jaguar owners will have one."

He says large companies, the selm-employed and the rich will each account for about one-quarter of demand and that there will also be a strong market with construction and services companies.

Mr Peter Towle, managing director of Securicor, says: "It *will start off with top management* who will think they must have it. The euphoria will have worn off by the summer and we will be at a second stage persuading companies it is a cost-effective tool at the middle level. We are looking at sales and service staff, and anyone who has to spend time on the road that this will benefit."

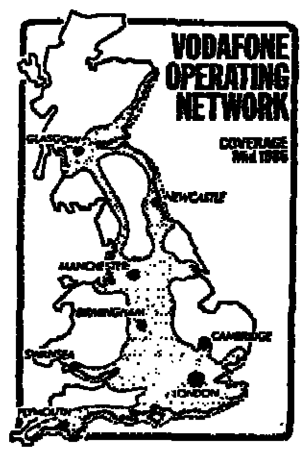
The government's policy of having two competing networks and using established technology from the U.S. has guaranteed that the system has been set up faster than in any other country. Outside the Nordic countries only a limited number of cities in the U.S. and Japan have cellular radio. For complex political and technical *reasons West Germany and* France will have to wait much *longer.*

The penalty of such a swift introduction has been a minimal UK content in the equipment—Marconi is supplying the networks with radio antennae worth about £8m. Racal has bought exchanges from LM Ericsson of Sweden and Cellnet from Motorola of the U.S.

The only mobile telephones on the market are made by NEC and Matsushita of Japan and Motorola. Other companies expected to sell in the UK in*clude Mobira of Finland and* General Electric of the U.S. Racal is developing its own mobile telephone which will be made in the UK, and Motorola also intends to manufacture in Britain.

Pye, a UK subsidiary of Philips, which has been a large manufacturer of existing mobile radio equipment, is not expected to make any cellular radios until next year at the earliest. Ministers have been extremely optimistic about how many manufacturing jobs would be created by the new *system.* Mr *John Butcher,* Industry Minister, said Racal would employ 1,000 people making mobile radios by the end of 1983. In fact, production will not start until later this year.

Most of the jobs created so far or for salesmen. Both networks have appointed several distributors and retailers such *as the AA, National Radiofone,* Dixons, and Philips with Vodafone and Aircall, Granada and Motorola with Cellnet. Even if cellular radio demand does take off, no one in the industry appears to believe it will create anything like 10,000 jobs.



TYPICAL CELLULAR RADIO COSTS

Car telephone (buy)	£1,275-£1,500
(to lease)	£26.75-£30 a month
Portable (buy)	£1,750-£2,495
Connection	£50-£60
Installation	£100
Monthly charge	£25
Cal lcharges/min.	8p-25p

(depending on time of day)

FINANCIAL TIMES

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FORMER FRENCH PRESIDENT SPEAKS AGAINST ISLAND'S INDEPENDENCE

Giscard plans to visit New Caledonia

BY DAVID HOUSEGO IN PARIS

FORMER French President M Valery Giscard d'Estaing yesterday announced that he would follow in *President François Mitterrand's* footsteps and visit New Caledonia in advance of the referendum on the territory's future, scheduled for July. But, unlike M Mitterrand, who is advocating independence in association with France, M Giscard said he would campaign in favour of the territory remaining part of France.

M Giscard disclosed his plans in his role of an opposition leader in the first major press conference he has held since his defeat in 1981. Evidently confident that the opposition will win the parliamentary elections in 1986, he said its task over the coming year was to ensure that it would be united in government and had ready the programme it intended to implement.

He made his statement as the Government revealed that it would convene the National Assembly tomorrow to secure parliamentary approval for prolonging the state of emergency in New Caledonia. The Government's hope is that the opposition will be forced into supporting the measure as a result of the priority it has put on restoring order in New Caledonia and that this will be seen as countenancing government policies.

M Mitterrand's own efforts to reassure the French settler community in New Caledonia appear so far *to have had scant success. In his* broadcast on Sunday night, he put the emphasis on security and maintaining a French military presence – while omitting any reference to independence. But a joint declaration issued yesterday by M Dick Ukeiwe, the head of the local government, M Roger Laroque, the Mayor of Noumea, and other representatives of the settlers described M Mitterrand's visit as an attempt "to mislead opinion."

M Giscard also said that guarantees issued to French residents under a Melanesian sovereign state would be worth nothing. He recalled that similar guarantees given to French citizens before Algerian independence, that their property would not be expropriated without compensation, had also proved valueless.

Nonetheless, few French commentators saw President Mitterrand's visit as a wasted journey. The most common observation was that it would lead him to modify the existing proposals for independence in association with France in ways that might obtain a larger consensus before the referendum in July.

In practice, this would involve more concessions to the settlers while trying to reassure the Melanesians that the goal of independence had not been pushed aside.

*In the hope of widening the con*sensus, the French National Assembly will not be faced with legislation on New Caledonia until April instead of February as originally planned. But the central danger still remains that either the separatists or the settlers will refuse to accept the verdict of the July referendum.

At his press conference, M Giscard implied that an opposition which won a majority in the National Assembly in 1986 would have a number of constitutional levels with which to oppose President Mitterrand should he seek to oppose the implementation of their policies. He said that a new government would be able to process a referendum shortening the President's seven-year mandate.

M Giscard said he was opposed to proportional representation being introduced for the parliamentary elections as M Mitterrand has announced. He said the opposition should put down a vote of censure on the issue when it came before the National Assembly.

The former President drew a bleak picture of the French economy, saying that unemploment was at a record high and the country's investment and savings ratios at their lowest points since the mid-1950s.

He said that unemployment would not be eased until there was a recovery in economic growth, declaring that France alone among major European countries would be running a lower growth rate in 1985 than in 1984.

As a starting point to achieving unity among the opposition on a programme of government after 1986, he said he would be contacting other opposition leaders to seek their approval on three projects: a joint declaration on freedom in broadcasting that could provide the base of a law; agreement to suppress the 1945 decrees that provide the base for economic *dirigisme* in the country; and the working out of a new retirement pension scheme to complement the inadequacies of the present state-backed schemes.

Michael Thompson-Noel writes from Noumea: Leaders of the white settlers (*Caldoches*) in New Caledonia, who are bitterly opposed to independence for the colony, yesterday repeated their claim that President Mitterrand's flying visit to the South Pacific last Saturday was a "publicity stunt" designed to revive the President's flagging fortunes in France.

M Dick Ukeiwe, president of the settler-dominated territorial government, also claimed that continu*ation of the state of emergency in* New Caledonia and the nightly curfew contradicted the President's promise to resuscitate the colony's stricken economy.

France has more than 6,000 police and troops on the island.

M Jacques Laflour, leader for the anti-independence movement, said the settlers would accept the verdict of the independent referendum provided everyone – including the indigenous Melanesian Kanacks – participated freely and peaceably.

The settlers are convinced they will win the referendum and that the independence proposal will be defeated. The Kanacks – about 70 per cent of whom favour independence – say the referendum will make no difference anyway and seem determined to declare an independent Melanesian state next January 1, whatever the obstacles.

The leader of the Kanack Socialist National Liberation front, M Jean Marie Tjibaou, was flying to Paris yesterday after talks in Australia. Australia favours an end to French colonisation in the South Pacific, a stance which angers right-wing settler leaders in New Caledonia.

Yen rise 'key to Japanese surplus'

By Jurek Martin in Tokyo

THE HUGE Japanese balance of payments surplus, likely to have reached about $34bn last year, can best be handled by an appreciation of the yen against the U.S. dollar, according to a senior official from the Bank of Japan.

But he suggested that this could only be achieved by a narrowing of the interest rate differential between Japan and the U.S., which, in spite of a recent fall of about one percentage point in Japanese long-term rates, remained at about five points.

The central bank official, who has just returned from talks in the U.S., described Washington's attitude to the dollar problem at last week's meeting of finance ministers from the "Group of Five" industrialised nations, as "a little bit more forward looking."

In describing the constraints on Japanese policy, he emphasised that "currency appreciation is not a panacea for the balance of payments surplus" but merely the best available option.

Others included stimulating domestic economic growth, further opening Japanese markets to foreign goods, and more restraints on Japanese exports, which he described as "the least desirable" course. "We probably have to do a little bit on all of them," he added.

But he saw little need for faster economic expansion in Japan, where real growth of about 5.5 per cent in the current fiscal year is likely to slow down to about 4.5 per cent next year. He added that "a drastic reduction of exports is not conceivable at the moment," even though the rate of growth in shipments to the U.S. was likely to moderate.

"As long as we can expect steady, autonomous economic growth," additional policy measures, fiscal or monetary, were not required, he said. The rate of expansion was "sufficient under the circumstances."

The official did not expect a higher valued yen to stem the flow of long-term capital out of Japan: in the first 11 months of last year this outflow, of about $41bn, exceeded the current account surplus by some $11bn.

Although Japan was likely to remain a substantial net capital exporter, the composition of capital flows as between long and short-term money might change.

UK coal board rejects appeals for negotiations with miners

BY JOHN LLOYD, INDUSTRIAL EDITOR, IN LONDON

THE UK Government and National Coal Board (NCB) stood firm yesterday against appeals for new negotiations with the National Union of Mineworkers (NUM) as the return to work by miners accelerated.

Another 1,847 men reported for work yesterday for the first time since the start of the pit dispute last March, the highest day's figure since last November. Over 7,700 miners have returned since the start of the new year.

An informal meeting yesterday between Mr Ned Smith, the board's industrial relations director, and Mr Peter Heathfield, the NUM general secretary, ended with a decisive comment from the board that it represented nothing in the way of progress.

The meeting – the first between the two sides for more than two months – had been seen as possibly preparing the way for a new round of substantive talks. But Mr Michael Eaton, the NCB's communications chief, said last night that nothing from today's discussions brought negotiations any nearer.

"We have always maintained that we would require some realism about the closure of pits for reasons of economy from the union," he said. "Since today's meeting made no progress on that front, it hasn't brought a settlement any nearer."

Mr Nicholas Edwards, the Welsh Secretary, reaffirmed in the House of Commons the Government's view that the NUM must agree to talk about the closure of uneconomic pits before any resumption of negotiations.

He repeatedly made it clear that, with a growing number of NUM members "voting with their feet" to end the dispute, the Government had no intention of putting pressure on the coal board to enter into fresh negotiations.

Mr Edwards did not dissent from the view of Tory MPs that there was no scope for further significant concessions by the NCB. He pointedly recalled the remarks of Mr Arthur Scargill, president of the NUM, that he had not moved "a single inch" in the earlier negotiations.

The NCB stressed that yesterday's meeting with the NUM was merely at "officer level." The indications last night were that both the board and the Government were embarrassed that it had taken place and that no such initiatives would be made again until the NUM gave an unambiguous sign that it would make a concession on pit closures.

The NCB clearly sees the continuing return to work by miners as putting heavy pressure on the union. Only in South Wales has the "drift back" been negligible.

Mr Neil Kinnock, leader of the opposition Labour Party, said that "a war of attrition" would have terrible costs for the country and society.

More miners return to work, Page 7

BTR bid for Dunlop suffers setback

By Martin Dickson in London

BRT'S £33m ($37m) takeover bid for Dunlop Holdings suffered a setback last night when one of the key banks behind a financial rescue package for the ailing tyre and rubber products company said the terms of the offer "will not be acceptable."

National Westminster Bank, one of two lead banks behind a £142m refinancing package agreed for Dunlop last week, categorically denied "any suggestions or rumours" that the lead banks supported the offer by BTR, a leading British industrial holding company.

"The terms for the banks as outlined in the BTR announcement to the London stock exchange will not be acceptable to the banks," it said. Barclays, the other lead bank, said it had nothing to add to the statement.

The BTR bid, announced on Friday, would torpedo Dunlop's painfully constructed refinancing package. A condition of the bid is that Dunlop's 53 banks agree to maintain a £320m loan facility offered under the package and take up £100m of BTR redeemable preference shares.

The firmness of the National Westminster statement caused some surprise in London last night. The earlier indications had been that the Dunlop banks would take some time to digest the implications of the BTR offer. Even after the statement, the expectation was that the banks and BTR would hold further talks.

BTR last night had no comment to make on the National Westminster statement, while Dunlop merely said that it was pressing ahead with its financial reconstruction and would be writing to shareholders within the next day or two.

BTR has bought a critical 28 per cent holding in Dunlop's preference shares with which it could block the refinancing package. Dunlop will argue that the preference shares should not determine its future and will be seeking a strong vote of support from its ordinary shareholders.

The Dunlop board is expected to hold a meeting with Professor Robert Pritchard, spokesman for the Dunlop shareholders' association, which speaks for the holders of some 8 per cent of the equity.

BTR is offering two of its own shares for every 59 Dunlop. That values each Dunlop share at 22.8p

See Lex

Ford Europe 'may close one plant'

Continued from Page 1

cars and Transit vans for the Portuguese market. The major commercial vehicle facilities are at Genk, *and Langley and Southampton in* the UK.

Last year, the company closed its small assembly operation at Cork, Ireland, which had been revamped to produce the Sierra car.

Mr Lutz maintained that Europe's volume car producers are facing "great difficulties" caused by overcapacity, "cut-throat" competition and shrinking margins. "Very dark clouds are hanging over the European automobile industry today," he said.

Slow economic growth in Europe was depressing the outlook for automotive sales in direct contrast to the U.S. Growth in the 1960s of 7 per cent a year had been halved in the 1970s and was unlikely to be more than 1½ per cent during the 1980s.

The Japanese had increased their share of the European market from 5 to 10 per cent in the last 10 years and were now selling 1m cars a year, but Japanese inroads into European manufacturers' sales outside Europe had been even more damaging Mr Lutz said.

Earlier European sales to the rest of the world of more than 3m cars a year had been cut in half and Japanese inroads into European world truck sales had been even greater.

A far more optimistic future for Europe's specialist car producers was painted by Mr Georg Karnsund, managing director of Saab – Scania of Sweden. In 1983, Saab, Volvo, BMW and Daimler Benz made net profits its of $723m, while the "big four" Europeans – Fiat, Volkswagen, Peugeot and Renault – ran up combined losses of $482m.

Mr Lutz said that the fight for market share and sales among the volume producers had become intense, with each manufacturer fighting to cover its fixed costs. "It does not make sense to go on in this fashion, but nobody is willing to sacrifice sales."

European had become the world's most competitive automobile market, with six major volume manufacturers holding almost equal market shares – Ford and Fiat, both with an estimated 12.9 per cent of the market in 1984, Volkswagen 12 per cent, Peugeot 11.6 per cent, General Motors 11.1 per cent and Renault 11 per cent.

There had been a steady shift in Europe towards smaller, less profitable cars – 64 per cent of total sales in 1984 compared with 52 per cent in 1979. "We have to sell 25 per cent more cars to achieve the same absolute profit," Mr Lutz said.

At the same time, real car prices had fallen sharply in the last five years while the number of new models had increased dramatically. The big European manufacturers introduced 83 new models between 1980 and 1984 compared with 63 from 1975 to 1979.

Apart from Ford, the other major volume producers had made losses every year during the 1980's, and 1984 was "unlikely to show any improvement." The industry had to take "aggressive action to improve profit margins and attack cost bases."

Many manufacturers were seeking lower cost sourcing of products – Ford has introduced a Brazilian-made Escort to the Scandinavian market, for example – but fixed costs had to be cut, too.

Cartel office continues Philips probe

By John Davies in Frankfurt

THE WEST German cartel office is seeking further information from Philips, the Dutch electrical group, after discussions yesterday about the Philips stake in Loewe Opta, a West German manufacturer of television sets and other consumer electronic equipment.

Philips has confirmed that it previously held a majority stake in Loewe Opta, directly and indirectly.

The cartel office wants to know who bought a stake in Loewe Opta from Philips last year and exactly what stake Philips holds in the West German company.

Representatives of Philips and the cartel office had talks in West Berlin after reports appeared in the Netherlands that the company had built up an undisclosed network of electronics interests abroad.

It has been known that Philips holds a 15 per cent stake in Loewe Opta through Alldephi, its West German subsidiary. However, a Philips executive confirmed in Holland yesterday that it obtained an additional share stake, giving it a majority, before 1973 and parted from it again by March last year.

When the cartel office approved Philips' takeover of Grundig last year, it specified that Philips must sell its Loewe Opta interest

Besse to take over

Continued from Page 1

His appointment also raises questions about the future of Renault's large investments in the U.S. M Hanon was the main architect of Renault's expansion in the U.S. market, where it has invested $545m in the past five years in acquiring 46 per cent of AMC and 41 per cent of Mack Trucks.

M Hanon's U.S. strategy has come under fire from the unions. Although both Mack and AMC were profitable last year, there are question marks over whether M Besse will want to pursue M Hanon's American strategy.

President François Mitterrand announced last week during a national television broadcast that urgent measures would be taken in coming days to resolve the crisis at Renault. However, the manner in which M Hanon was forced out has caused general indignation in France.

The appointment of M Besse also raises the question of the future management of Pechiney. This issue appears to have been given little attention so far in the heat of the dramatic turn of events at Renault. Although M Besse succeeded in returning Pechiney into the black, he leaves midway through his sweeping restructuring and reorganisation programme.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	11	52	Dubrovnik	F	11	52	Malaga	C	15	59	Salzburg	S	5	41
Akrotiri	F	17	63	Faro	C	17	63	Malta	S	17	63	Seoul	—	—	—
Algiers	S	21	70	Florence	C	9	48	Manila	—	—	—	Singapore	—	—	—
Amsterdam	C	3	37	Frankfurt	F	4	39	Miami	—	—	—	Stockholm	Sn	-3	27
Athens	S	15	59	Funchal	R	18	64	Milan	D	2	36	Strasbourg	Fg	0	32
Bahrain	S	21	70	Geneva	C	-1	30	Moscow	S	-23	-9	Sydney	S	24	75
Bangkok	—	—	—	Gibraltar	R	13	55	Munich	S	4	39	Taipei	—	—	—
Barcelona	R	13	55	Guernsey	F	10	50	Nairobi	—	—	—	Tangier	C	13	55
Beirut	R	14	57	Helsinki	C	-20	-4	Naples	F	13	55	Tehran	—	—	—
Belgrade	C	1	34	H. Kong	F	19	66	New Delhi	C	17	63	Tel Aviv	C	16	61
Berlin	C	-5	23	Innsbruck	F	3	37	New York	—	—	—	Tenerife	—	—	—
Biarritz	S	16	61	Inverness	R	2	36	Nice	R	7	45	Tokyo	S	8	46
Blackpool	R	3	37	Istanbul	F	7	45	Oporto	R	13	55	Toronto	—	—	—
Bordeaux	F	13	55	Jersey	F	8	46	Oslo	Sn	-6	21	Tunis	S	19	66
Brussels	C	5	41	Jo'burg	C	23	73	Paris	R	5	41	Valencia	F	16	61
Budapest	Sn	-6	21	Las Palmas	S	22	72	Prague	C	-3	27	Venice	Fg	1	34
B. Aires	—	—	—	Lima	—	—	—	Reykjavik	C	-4	25	Vienna	C	-5	23
Cairo	F	20	68	Lisbon	C	15	59	Rio de Jo	—	—	—	Warsaw	C	-9	16
Cape Town	S	23	73	Locarno	C	2	36	Rome	C	14	57	Zurich	Fg	-1	30
Caracas	—	—	—	London	R	7	45								
Casablanca	F	19	66	Los Angeles	—	—	—								
Copenhagen	F	-3	27	Luxembourg	C	4	39								
Corfu	C	11	52	Madrid	C	11	52								
Dublin	D	7	45	Majorca	F	15	59								

Readings at mid-day yesterday.

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

THE LEX COLUMN

Fast breeders in the City

The London equity market's enthusiasm for deals and deal-makers seems to know few bounds at the moment. The idea that issuing shares to purchase an uncertain prospect may dilute shareholders' interests is as outmoded as the quaint notion that piling up debt to finance a takeover creates as many risks as it does rewards.

With the stock market standing at a record high and the corporate sector flush with liquid assets, it is not surprising to see companies trying to take advantage of their good fortune. But even they must be rather bemused by the deep pile on the red carpet rolled out for them at the London Stock Exchange.

It is hard to recall any instance of the market giving a clear thumbs-down to a takeover proposition from a credible management over the past six months. And there have been plenty to choose from. Companies need not, it appears, even name their target.

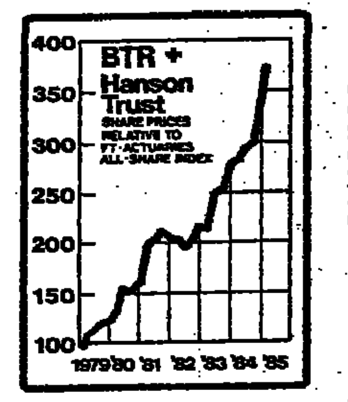
Yesterday Bunzl, admittedly a well-managed group, launched a one-for-four rights issue at a 16 per cent discount to finance unspecified acquisitions and the share price jumped 9 per cent.

The upshot of this market approach is that companies which spend heavily on organic growth but not on acquisitions – BOC comes to mind – find themselves either out of favour or the subject of bid speculation.

Had Courtaulds already made its long-awaited acquisition in the U.S., it might not now be viewed as the next victim of Hanson Trust.

The stock market's enthusiasm is most pronounced in the case of industrial holding companies like BTR and Hanson itself. Friday's bid for Dunlop added £366m to BTR's market capitalisation in the course of the day. Even allowing for the fact that BTR stands to acquire the company on the cheap, that there is industrial logic to the combination and that Sir Owen Green and his team are excellent managers of businesses, the market's reaction was extraordinary. The mathematical conclusion is that BTR could have offered 10 times as much as it did to Dunlop's shareholders without jeopardising its own share price.

BTR and Hanson are highly effective managers as well as skilful corporate financiers. But their share prices stand where they do today – the accompanying chart shows the performance of an artificially constructed Hanson/BTR index against the market – not least



because of their success in catering to the market's preoccupation with short-term performance.

It is not, after all, the most difficult thing in the world to buy a lowly-rated, mature business with highly valued paper and enhance earnings and assets per share at the end of year one.

The problem is that mature businesses (bricks and batteries to name but two) tend to stay mature, so the acquirer has to buy more – and bigger – businesses in order to sustain the growth rating of the share price which makes the whole process possible in the first place.

The logical conclusion of this argument is that the likes of ICI must eventually be swallowed up if the momentum is to be sustained. But, long before that rather fanciful position is reached, the market may begin to have its doubts about the ability of a central management to control such disparate organisations and, more important, about the transfer of power in what are to some extent personal creations.

Sir Owen and Lord Hanson are still remarkably energetic but both are approaching the customary retirement age and Wall Street's present concern with life at United Technologies after Harry Gray may foreshadow similar worries in London a few years from now.

As long as the equity market retains its confidence in such expertly directed corporate leviathans, the paper chase seems likely to go on. But there are still a few grey-beards around the City who recall the conglomerate hysteria of the early 1970s and the grief caused a few years later by several ill-judged acquisitions of that period.

Bunzl

Bunzl must be congratulated on its excellent timing. It caught the market in the sort of mood which yesterday sent its share price shooting up 40p to 483p on news of a one-for-four rights issue and resulting dilution of over 6 per cent on 1985 earnings per share. As a result, the new shares now stand on a 23½ per cent discount, compared with 16½ per cent yesterday morning, leaving the rights issue neatly wrapped up.

If there is any justification for yesterday's market reaction, it must rest on the assumption that Bunzl can reinvest the £54.63m proceeds immediately in a new acquisition and avoid dilution by earning a return on capital of at least 15 per cent on it for the year. Given that Bunzl's current return on capital is around 35 per cent, this would not be inconceivable if it had already fastened on a suitable bid target and could tuck it under its belt without delay.

It is now almost embarrassingly well-placed to make a bid, with an exalted share price, net cash of £20m and shareholders' funds of £135m. But although it knows the areas in which it wants to expand – mainly the UK and bits of the U.S. – it would be optimistic of shareholders to assume that an acquisition could be finalised within weeks. Meanwhile, yesterday's share price puts the company on a prospective multiple of around 16.

BTR/Dunlop

If anybody in the BTR camp assumed that Dunlop's bankers would automatically jump at the chance of lending to BTR instead, they must have been a touch disappointed yesterday. Yet National Westminster's statement that BTR's terms were unacceptable should probably not be taken as anything more than an opening move in what seems bound to be another lengthy set of banking negotiations. After all, it seems to be the terms that NatWest objects to, not the simple idea of BTR's offer. BTR's requirement that the banks take on a larger lump of preference stock, even if it is of higher quality than Dunlop's, may well be something that lead banks have trouble selling down the line. As yet the banks have not even got a sufficiently firm alternative to compare with their own reconstruction package: BTR's formal offer document is presumably the minimum they need before they can decide what is in their own best interests – never mind those of Dunlop's shareholders.

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FINANCIAL TIMES
Tuesday January 22 1985

Provisions leave Inland with third annual loss

BY ANDREW BAXTER IN NEW YORK

INLAND STEEL, the fourth largest U.S. steel producer, yesterday reported a 1984 net loss of $41.4m – its third annual deficit running – after a further series of heavy charges and provisions in the final quarter.

The Chicago-based concern, which is the first of the major U.S. steel companies to report its full-year results, managed net profits from continuing operations of $25.9m or $1.04 a share in the fourth quarter, against $17.4m or 70 cents.

But a $24.3m provision for closing some manufacturing facilities, a $28m charge for job cuts and a $1.9m loss from discontinued operations produced a final net loss for the quarter of $28.3m, compared with a $45.9m deficit last time.

For the year, Inland posted net profits from continuing operations of $31.6m or $1.26 a share, compared with a loss of $55.4m. However, the company said its 1984 operating profit benefited from a $53.5m reduction in pension expenses, of which $43.8m was recorded in the fourth quarter.

The $41.4m final net loss comes after charges taken in the fourth quarter and earlier in the year, and compares with a final loss of $116.9m in 1983.

Sales rose from $2.92bn to $3.32bn in the year, but slipped from $831.9m to $776m in the fourth quarter.

Inland Steel, which was hit heavily in the third quarter of 1984 by record imports and price weakness, said the fourth quarter job cuts provision includes a planned reduction of 700 salaried employees this year.

The plant closure provision relates to expected closure of some older but unspecified steel manufacturing facilities over a three-year period, during which Inland's total costs will be reduced by 20 per cent.

Sperry hit by farm equipment slump and strength of dollar

BY PAUL TAYLOR IN NEW YORK

SPERRY, the U.S. computer and capital goods manufacturer, yesterday reported a decline in fiscal third quarter earnings from continuing operations. The decline reflects the impact of the strong dollar, the depressed farm equipment market, which affected Sperry's New Holland unit, and a $12.7m after-tax charge resulting from the resolution of arbitration proceedings with the Israeli government.

Income from continuing operations fell by 10 per cent to $61.2m or $1.09 a share in the fiscal quarter ending December 31 from $68.1m or $1.32 a share a year earlier. The fall came despite higher revenues, which grew by 23 per cent to $1.46bn from $1.18bn a year earlier.

Mr Gerald Probst, Sperry's chairman and chief executive, said "the increase in revenue during the quarter reflects accelerated shipments of new products of the information systems group and a continuation of increased shipments by the defense and aerospace groups."

Third quarter earnings a year earlier included a $10.1m or 20 cents a share after tax gain from the sale of a facility.

For the first nine months Sperry reported income from continuing operations and net earnings of $180.8m or $3.28 a share, up 52 per cent from the $118.6m or $2.33 a share in earnings from continuing operations reported in the corresponding period a year ago.

The latest nine months' earnings included a $64m or $1.16 a share tax credit and a $24.1m or 44 cents a share write-down of the company's investment in Trilogy. A year earlier, $10.8m in earnings from discontinued operations made final net earnings of $129.4m or $2.54 a share. Revenues for the period increased by 13 per cent to $3.89bn

Mr Probst said: "We are looking forward to a very strong fourth quarter performance by our electronics businesses, particularly commercial computers. Accordingly fiscal 1985 earnings should be better than fiscal 1984, even without the non-recurring deferred income tax reversal that was reported in our September quarter."

Fourth quarter gain lifts Singer

By Our New York Staff

SINGER, the U.S. manufacturer of sewing machines, defence equipment and consumer products, boosted fourth-quarter operating net earnings from $7.5m or 36 cents a share to $18m or 95 cents.

In the latest quarter a $2.2m tax credit boosted final net earnings to $20.2m or $1.07 a share, while the 1983 figure excludes a $6.4m extraordinary credit which lifted final net to $13.9m or 73 cents.

For the year, the Stamford, Connecticut-based concern boosted final net earnings from $31.6m or $1.52 a share to $65.1m or $3.41. Sales rose from $2.48bn to $2.52bn in the year, and from $659m to $680.2m in the quarter.

Profits in the latest three months are up sharply on the $11.5m posted in the third quarter when the start of commercial operations by Simu-Flite Training International, a majority-owned business pilot training subsidiary, brought losses of $1.5m.

Singer said yesterday it had continued to reduce debt in 1984 and had eliminated all short-term borrowings in the U.S. Total debt at year-end was $459.9m, against $481.1m a year before.

Singer has undergone a major restructuring in the past decade. It has reduced its dependence on sewing machines and is investing heavily in aerospace and military products. Profits for 1984 were broadly in line with Wall Street's expectations, and Mr Joseph Flavin, chairman and chief executive, said this year's profits would "substantially" exceed those of 1984.

Bank of Boston profits spurred by property sale

BY PAUL TAYLOR IN NEW YORK

BANK OF BOSTON, the 19th largest banking group in the U.S., yesterday reported a big jump in fourth-quarter earnings spurred by a $177m pre-tax gain from the sale of its headquarters building partly offset by a $100m special provision for credit losses.

As a result the Boston banking group said fourth-quarter net earnings more than doubled to $74.57m or $3.80 a share from $34.62m or $1.86 a share.

The substantial fourth-quarter gain lifted full year net earnings by 20.9 per cent to $164.05m or $8.34 a share from $135.74m or $7.40 a share in 1983.

Bank of Boston is one of the last leading U.S. banking groups to report its quarterly and full year net earnings which have generally proved to be substantially better than expected. It is also one of a number of U.S. majors to use some of the proceeds of special gains – particularly from the sale of property – to bolster its loan loss reserves.

Mr William Brown, chairman, said the record earnings reflected the gain from the sale of the Boston headquarters building as well as increases in net interest revenue and other operating income.

These gains were offset in part by a higher provision for credit losses, including the special provision, and increases in other operating expenses.

The building was sold for $363m in December, resulting in a pre-tax gain of $295m. Of that, $177m was recognised in 1984 earnings resulting in a $105m after-tax gain and $118m was deferred and amortised over the initial term of the lease agreement.

Bank of Boston said its total provision for credit losses last year, including a $100m special provision ($47m after tax), increased to $134.5m in the fourth quarter and $180m for the full year compared to $13.5m and $54m in the respective 1983 periods.

Net credit losses for the quarter totalled $44.9m compared with $8.4m a year earlier. Net credit losses for the year grew to $80m from $44.2m.

The bank noted that the increase was caused by the recent sharp deterioration of a limited number of domestic and international loans. Mr Brown said: "These charge-offs, together with the additional provision for credit losses, are in line with the corporation's aggressive charge-off policy and conservative approach to the credit loss reserve."

The reserve for credit losses at the end of the year was $242.4m or 1.66 per cent of outstanding loans and leases compared with 1.14 per cent at the end of 1983. At the end of the year the banking group's non-performing loans and leases totalled $468m or 3.2 per cent of outstanding balances compared with $514m or 3.7 per cent at the end of September and $326m or 2.7 per cent a year ago.

Northern Telecom earnings jump 40%

By Bernard Simon in Toronto

STRONG demand for central office switches enabled Northern Telecom, the Canadian telecommunications manufacturer, to lift net earnings before extraordinary items by 40 per cent last year to C$317.5m (U.S.$240m), or C$2.76 per share.

The group experienced a record-breaking fourth quarter, with earnings jumping to C$114.6m or 99 cents a share, 69 per cent higher than a year earlier.

Mr Edmund Fitzgerald, group president, said sales of Northern Telecom's DMS digital switches jumped from C$962m in 1983 to C$1.6bn last year, including a doubling of revenues in the final three months.

Overall revenues rose from C$3.3bn to C$4.4bn. Operating profits increased from C$306.5m to C$474.4m.

Northern Telecom has become a major supplier to Bell operating companies in the U.S., and the U.S. contribution to revenues has risen from 56 per cent in 1983 to 64 per cent last year. Sales outside North America stagnated in 1984.

The company said its order backlog at the end of December was valued at C$2.3bn, 10 per cent lower than three months earlier.

● U.S. West, one of the seven regional Bell holding companies spun off from American Telephone & Telegraph at the start of last year, reported $887m or $9.24 a share in full year net earnings, after fourth-quarter figures of $253m or $2.62 a share.

U.S.West is the first of the seven regional companies to report its fourth-quarter and full year results and, as expected, they suggest the regional companies will exceed their own earnings forecasts, made before the Bell break up.

Denver-based U.S. West had projected 1984 net earnings of $877.5m or $8.96 a share on revenues of $7.44bn.

Honeywell recovers pace after third-quarter profits setback

BY OUR NEW YORK STAFF

HONEYWELL, the U.S. computer and control instruments manufacturer, reported fourth-quarter earnings from continuing operations of $110.4m, or $2.35 a share, compared with $102.9m, or $2.22, in the 1983 final quarter.

The earnings from continuing operations represent a significant improvement over the 1984 third quarter, when profits – excluding a substantial tax change gain – stalled unexpectedly, halting a cyclical recovery.

Nevertheless the company, which last month announced plans to sell its Synertek semiconductor subsidiary and warned that this would result in a "substantial write-off," said net earnings in the final quarter plunged to $31.8m, or 68 cents a share, from $91.9m, or $1.98, in the 1983 period.

The latest net earnings included an estimated $70.6m, or $1.50 a share, charge related to the planned Synertek disposal, together with Synertek's fourth-quarter losses of $8m, or 17 cents a share. In the corresponding 1983 quarter Synertek reported losses of $11m, or 24 cents a share.

Revenues in the final quarter totalled $1.75bn, up from $1.62bn a year earlier.

For the full year Honeywell said net income from continuing operations – including a $40m, or 85 cents a share, gain in the third quarter from tax law changes – totalled $334.8m, or $7.14 a share, a 33.5 per cent increase over the $250.7m, or $5.46 a share, in net earnings from continuing operations reported in 1983.

Full-year net income, including the third-quarter gain, the fourth-quarter charge and $25.2m, or 54 cents a share, in Synertek losses, totalled $239m, or $5.10 a share, compared with $231.2m, or $5.03 a share, in 1983. Revenues increased by 7.2 per cent to $6.1bn from $5.7bn.

IBM reshapes personal computer sales division

BY LOUISE KEHOE IN SAN FRANCISCO

IBM's maverick Entry Level Systems division, which produces the company's line of personal computers, has been reined firmly into the traditional IBM corporate structure. In a move that recognises personal computers as mainstream IBM products, the company has shifted responsibility for personal computer sales from the Entry Level Systems (ELS) division to the National Distribution division, IBM's selling organisation.

The reorganisation is designed to "increase the focus of the Entry Level Systems division development, manufacturing and marketing of personal computers, and PC-based products," IBM said.

The Entry Level Systems division, based in Boca Raton, Florida, has until now held responsibility for retail sales and support as well as manufacturing. One of IBM's first "independent business units" until it was given divisional status in 1983, ELS has been regarded as something of a maverick within IBM, according to division executives.

ELS championed the personal computer within IBM and has been enormously successful. Before the reorganisation, the division had set itself a sales goal for 1985 of 30 per cent growth, double that of IBM as a whole.

Commenting on the changes, Mr Philip Estridge, ELS president, said: "This change is driven by the unprecedented success of IBM's personal computer and its dealers."

"This is back to basics for IBM," Ms Jan Lewis of InfoCorp said. "It will give IBM greater control over its distribution channels and strengthen its sales operations," she predicted. IBM has recently had problems controlling "grey" market resales of personal computers at heavily discounted prices. By placing personal computer sales in the charge of a single operation, IBM will be able to address this problem, Ms Lewis believes.

Penn Central lifts operating income 18%

By Our New York Staff

PENN CENTRAL, the U.S. conglomerate headed by financier Mr Carl Lindner, increased its operating income by 18 per cent in 1984 to $297.2m on the back of a marginal increase in sales to $2.6bn.

Mr Alfred W. Martinelli, Penn Central's chief executive, said that the group's energy service operations improved as a result of the inclusion for the full year of Gulf Energy Development Corporation and Northern Propane Gas, together with increased weather-related demand.

Marine construction operations continued to be affected, however, by depressed demand for offshore drilling rigs.

The group's electronic and telecommunications companies benefited from strong market demand although the rate of activity in the electronics business moderated in the fourth quarter.

Mr Martinelli says that the 1984 performance was also boosted by a reduction in corporate overheads, the repurchase of common stock and the redeployment of divestiture proceeds. Last year Penn Central repurchased 8.1m of its shares for $383m.

Penn Central's net income for the year totalled $170m compared with $19.7m in 1983 when the figures were depressed by a $199.7m provision for asset deployment.

Penn Central, whose shares had a book value of $40 at end 1984, earned $3.82 (fully diluted) in 1984. At year-end, Penn Central had working capital of $357m, shareholders' equity of $1.6bn and debt-to-capital ratio of 0.16.

Caterpillar loss increased by capacity cuts

By Our New York Staff

CATERPILLAR TRACTOR, the U.S. earthmoving and construction equipment company, has reported a sharply higher $251m or $2.60 a share fourth-quarter loss and a $428m or $4.47 a share loss for the full year.

The results were foreshadowed in earlier warnings from the company which slashed its dividend for the second time in three years last October. They reflect the impact of one-time charges for plant closures to reduce capacity, the costs associated with layoffs, depressed sales prices and "disproportionate" fixed costs at plants operating significantly below capacity.

Caterpillar said its fourth-quarter loss, which compared with a $11m or 12 cents a share loss in the 1983 period, included a $212m provision for plant consolidation, together with other special charges totalling $144m. Sales in the quarter fell to $1.65bn from $1.77bn.

The company also noted that, because it has exhausted its ability to *carry tax credits back to previous* years, it did not record a tax credit of $106m applicable to the quarterly loss and a $156m credit applicable to the full year.

The Peoria, Illinois-based group said the full-year loss compared with a $345m or $3.74 a share loss in 1983 on sales which increased by 21 per cent from $5.4bn to $6.58bn.

Excluding $226m in plant consolidation charges, and other special factors including favourable last-in first-out inventory decrements, Caterpillar said the 1984 pre-tax loss of $541m would have been $325m representing "a significant improvement, despite lower selling prices in 1984," from a similarly adjusted pre-tax loss of $719m for 1983.

Bunzl plans expansion following rights issue

BY ALISON HOGAN IN LONDON

BUNZL, the UK-based international paper and packaging group, yesterday announced a £54.63m ($61m) rights issue which sent its share price soaring 40p to an all time 483p high.

The one-for-four rights issue at 370p per share – the first in the company's history – was priced at a level "to ensure we kept a loyal and happy band of shareholders," according to Mr James White, the managing director of Bunzl.

The group also forecast a 55 per cent increase in pre-tax profits in 1984 to at least £27m with a 36 per cent increase in the net dividend for the year to 7.5p.

Bunzl is still anxious to acquire more businesses, having spent over £57m on acquisitions in the last five years. Turnover has increased by 350 per cent to over £800m in the same period and the group feels that its present capital base limits the scope for further major acquisitions using cash.

"The rights issue will eliminate net debt of around £30m and put us in a rather luxurious position," said Mr White.

Bunzl is expected to expand its paper distribution network in the U.S. in western states including California. It will also look for further acquisitions to strengthen the recently acquired paper brokerage business, Grant Paper of Florida.

U.S. airline sparks new fare war

BY OUR NEW YORK STAFF

AMERICAN AIRLINES, the second biggest domestic carrier, has initiated a new round in the U.S. air fares war by introducing a discount programme cutting ticket prices by up to 70 per cent.

About $350m was wiped off the market capitalisation of the top 10 U.S. airlines as investors and brokers downgraded profit forecasts. Wall Street believes that American's new discounts, which were matched within hours by five of its rivals, will hit earnings this year.

American, whose parent company AMR this week reported an 80 per cent drop in fourth-quarter net profits to $23.6m, has been hit by the air fares war, which began this summer, and has been facing increased competition on some of its routes.

American's new fares can produce discounts of 70 per cent on the full fare, against 50 per cent for the airline's current discounts.

Alcoa plunges to $14.7m loss

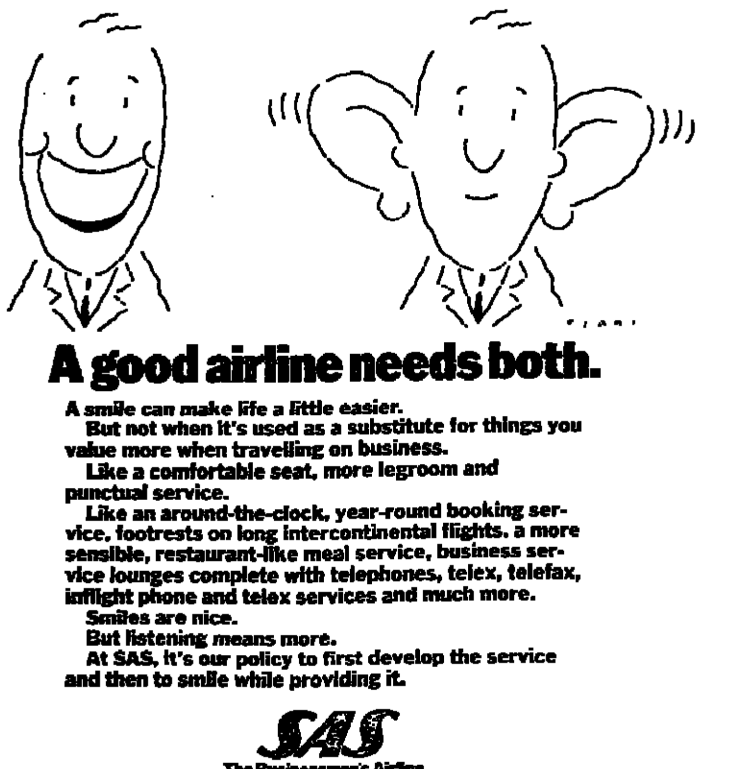
By Our New York Staff

ALUMINUM COMPANY of America, the world's largest aluminium producer, has plunged to a $14.7m loss in the 1984 fourth quarter because of continuing low prices and extraordinary charges of $51.2m.

The loss, equivalent to 19 cents a share, compares with net profits of $96.3m or $1.19 a share. Excluding the 1984 charges and a $36.8m Lifo gain in the 1983 period, net profits dropped from $59.5m to $36.5m.

The charges in the latest period comprise a $41m writedown of an idle Alabama bauxite refinery, a $7.5m write-off of an equity investment in France, currency losses of $6.4m and other charges of $16.8m. These are offset partially by a $20.5m gain on the sale of Alcoa's share in a Texas power generating complex.

For the year, Alcoa – buoyed by a strong first-half performance – increased net profits from $174.2m or $2.15 a share to $256m or $3.13 a share. Revenues rose from $5.26bn to $5.75bn for the year, but slipped from $1.47bn to $1.39bn in the fourth quarter.



El Paso stake lifts Burlington Northern

By William Hall in New York

BURLINGTON NORTHERN, the U.S. railroad and energy group, increased its net income in 1984 by 47 per cent to $608.1m as it began to reap the benefits of its 1983 takeover of El Paso, the U.S. energy group.

The Seattle-based group bought a 48 per cent stake in El Paso in February 1983 and in December 1983 took full control. The group's operating income from oil and gas exploration in 1984 totalled $181.8m which is a substantial increase on 1983 primarily because of the addition of operating income from the exploration and production division of El Paso.

Burlington Northern earned $132.8m or $1.55 a share in the fourth quarter of 1984, compared with $113.6m or $1.47 a share a year earlier. Revenues over the same period increased 88 per cent, from $1.16bn to $2.18bn.

Per share earnings for the year were $7.15, against $5.40 in 1983. Full-year revenues totalled $9.2bn, more than double 1983's $4.5bn.

In addition to the benefit from the El Paso acquisition, Burlington Northern's profits were boosted by its traditional railroad activities which cover the western and mid-western parts of the U.S.

Natural gas activities, which include El Paso's pipeline operations, contributed $298.4m to operating income in 1984.

Hilary Barnes examines the implications of the Kronebanken collapse

A bitter pill for Danish bankers

THE REPUTATION for financial stability and sound management which Danish banks and financial institutions enjoy has taken a nasty knock following the collapse of Kronebanken, the seventh largest commercial bank with a balance-sheet total of about DKr 13bn ($114.3m).

The bank's problems—it ran up 1984 losses of DKr 1.3bn—are enormous. Two medium-sized banks potentially interested in acquiring Kronebanken's network of 95 branches were forced to pull out of negotiations.

Over the weekend the central bank declared that under no circumstances would Kronebanken be liquidated, with losses to depositors. Mr Ib Stetter, the Minister for Industry, has waived the rule that a bank's equity capital must amount to a minimum of 8 per cent of deposits and guarantees.

● The central bank has also promised unlimited cash support to avert a run on Kronebanken, which has lost a large, but unspecified proportion, of its customers as the scale of the crash has come to light.

The provisional 1984 losses of DKr 1.3bn are more than the bank's entire equity capital, which at the start of the year stood at DKr 1.2bn. A substantial part of these losses, however, are in the form of provisions against high risk engagements and may never become actual losses.

The crisis at the bank became public on December 18, when it was announced that the central bank and the three largest commercial banks (Copenhagen Handelsbank, Danske Bank and Privatbanken) had agreed to put up guarantees of DKr 500m to keep the bank open.

The Danish Government and central bank are to initiate a total reconstruction of Kronebanken, a joint statement said yesterday. Kronebanken will continue to operate in one form or another but under new management. The reconstruction will take at least one year

The details of what went wrong are only slowly coming to light. But Mr Ebbe Mogensen, a Copenhagen lawyer acting for the four employee representatives of the bank's supervisory board, describes the failure as "the biggest financial scandal of this century."

No hint of the difficulties were given in the bank's half-year report in August, although by that time the board of management was known to be aware of the problem.

It was not until September that the supervisory board was informed that the banks' commitments to a single customer had exceeded 50 per cent of the bank's equity capital, which is the legal maximum—but the maximum which must be proved by the supervisory board.

The evidence of inadequate control and reporting by credit officers has shaken the Danish banking world. One of Kronebanken's directors was a deputy chairman of the Bankers' Association.

Foreign bankers have also been surprised and disturbed that this situation could arise. But they have also been reassured by the swift and total commitment by the central bank, with the support of Denmark's three big banks.

Kronebanken's 42,000 shareholders have every reason to be bitter. They have lost everything, and most of them are customers who were offered better terms on their deposit accounts if they bought shares in the bank.

The position of two other groups has also been highlighted by the crash, the employee representatives and the government-appointed public representatives on bank supervisory boards. They have exactly the same responsibilities and obligations as board members elected by the shareholders. The crash at Kronebanken may well cause the system of special board members to fall into disrepute.

After the guarantees from the central bank and the Industry Ministry, the first step will be the appointment of a new board of management for Kronebanken.

As the scale of the bank's actual losses becomes clearer in coming months, it is hoped that the conditions for a reconstruction, either through acquisition or by raising new capital or a combination of the two, will emerge. Meanwhile, the bank was open for business as usual yesterday.

It is worth noting that Kronebanken is insolvent because of the strictness of Danish rules for provisions against risky commitments, and because Danish law requires very high capital rations.

Karstadt expects lower earnings

BY OUR FINANCIAL STAFF

KARSTADT, THE big West German department store group, expects reduced profits for 1984 following a troubled year for its travel and mail order operations.

Both units have lost money in recent years. Karstadt also said yesterday that its mainstream retail business had been far from buoyant with trading depressed right up until just before Christmas.

Consumer spending was held in check by a number of factors, not least poor weather and the effects of the metalworkers' strike which ran for six weeks throughout the summer.

Parent company sales last year dipped from DM 9.44bn to DM 8.12bn ($287m). The results of 1983, which saw parent company net profits rise DM 90.4m, were not likely to be matched, Karstadt said.

In 1983, Karstadt reduced its mail order losses by almost half to DM 32m while the deficit on the travel side was cut back to DM 6.8m from the DM 11m of 1982.

Deespite these losses, Karstadt profits rose strongly in 1983 and the company stepped up its dividend. The payment went up to DM 7 a share from the DM 6 paid for 1983.

● Hornblower Fischer, the German broker, intends to go public through a private placement of 15,000 ordinary shares and 15,000 non-voting preference shares. The shares will be placed mainly with Hornblower's clients, probably in mid-year.

The flotation is expected to be the first by a German financial services company.

Swiss welcome Europrogramme resignations

By Alan Friedman in Milan and John Wicks in Zurich

THE SWISS Banking Commission yesterday welcomed the decision of Sig Orazio Bagnasco, the Swiss-based Italian financier, to resign along with his entire board from the troubled L1,000bn ($514m) Europrogramme unit trust property fund.

Sig Bagnasco, who also controls the Ciga luxury hotel chain, announced his decision last week. His unquoted fund is under investigation by magistrates in Milan and Lugano following allegations of improperties from shareholders. Europrogramme is also facing a severe liquidity crisis.

An official at the Swiss Banking Commission denied that any formal pressure had been exerted upon Sig Bagnasco, but explained that the resignations "are very much in line with our thinking."

Hit by a slumping property market in Italy and angry demands for redemptions by shareholders, Europrogramme has been criticised by prominent Italians. The Swiss Banking Commission has suspended all redemptions until March 31, at which point it is widely believed that Europrogramme will have to be liquidated.

It was learned yesterday that Allgemeine Treuhand, a Basle auditing firm with ties to accountants Arthur Young, is expected to sign a consultancy agreement shortly with Europrogramme. In this position it would act in a supervisory capacity, but would not take over the actual management.

According to Swiss officials, the chairmanship of IFI-Interfininvest, the fund management arm of Europrogramme, will be assumed shortly by a Swiss citizen. This would provide the troubled fund with a "neutral personality" to handle any possible liquidation of Europrogramme.

Norcem boosts profits by 22%

BY FAY GJESTER IN OSLO

NORCEM, the Norwegian cement and building materials producer which has interests in offshore and shipping, increased profits by around 22 per cent last year to NKr 175m ($19m). But turnover rose by only about 2 per cent to NKr 3.45bn. A preliminary report says the improvement was due mainly to cost cutting in a number of the group's divisions, coupled with a continued rise in earnings by its overseas cement subsidiaries.

The best results were acheved by the divisions producing cement, building materials and wood burning stoves. In contrast, several companies in the offshore division, experienced stagnating turnover and some weakening of results, reflecting keen competition and pressure on margins. An exception was the drilling company Morco, which improved both turnover and profits, compared with 1983.

The group's most important single investment in 1984 was its purchase of a majority stake in Nordenfjeldske, the Norwegian shipping company in which it now holds 51 per cent. Norcem has been offered additional shares which will bring its holding to 92 per cent, and expects to take up this offer. Nordenfjeldske's results have not been consolidated in Norcem's 1984 figures.

Norcem's stock exchange value trebled during 1984 to almost NKr 1.2bn. Its share capital rose from NKr 244m to NKr 408m, and at the same time the market value of its shares climbed by about 75 per cent.

Landis & Gyr plans rights issue

BY JOHN WICKS IN ZURICH

LANDIS & GYR, the Swiss engineering company, is to recommend an unchanged 10 per cent dividend at its March 6 annual meeting. At the same time, shareholders will be asked to approve a one-for-16 rights issue, with new shares priced at par.

This is the 27th time since 1957 that the company has made a rights issue, with ratios varying from one-for-10 to one-for-25.

In 1984, total earnings of the Zug-based group rose by 27.1 per cent to SwFr 61m ($22.18m). This marked a new record, surpassing the previous profits peak of SwFr 58.7m in 1979. Consolidated cash-flow was up 14.3 per cent to SwFr 128m.

The sharp rise in earnings is attributed to a general improvement in demand and favourable exchange rates.

Turnover increased by 7.5 per cent over the year to SwFr 1.33bn, with new orders booked by the group up as much as 13.1 per cent to SwFr 1.44bn.

Eastern backs down in pay cut dispute

BY PAUL TAYLOR IN NEW YORK

EASTERN AIRLINES, the U.S. air carrier, has done an abrupt about-face and agreed to restore full pay to its 37,000 employees.

The surprise decision, which appeared to mark a major climb-down by the airline's management, came on Friday night, just ahead of a scheduled federal court case on the dispute which was due to begin yesterday. The trial has now been cancelled.

The suit had been brought by Eastern's union members angered over the airline's decision to extend unilaterally the 18 to 22 per cent wage concessions package agreed last year as part of a pace-setting labour agreement under which Eastern's employees received a 25 per cent equity stake in the company.

The wage concessions package had orginally been due to expire on December 31 but was extended by Mr Frank Borman, Eastern Airline's chairman, who argued in a letter to employees that the airline could not afford the $22m a month it would cost to reinstate the salaries.

Mr Borman's decision prompted a storm of protest from Eastern's unions, which charged that the airline was specifically forbidden from unilaterally extending the wage cuts by a clause in the 1984 wage investment programme.

A week later Mr Borman's action received strong backing from the financially struggling airline's outside directors despite impassioned pleas from union leaders who warned that such action left them with no action but "to go to court."

Last week two of Eastern's unions, the International Machinists and Aerospace Workers Union representing 12,500 Eastern employees and the Air Line Pilots Association representing 4,000 Eastern pilots, filed suits against the airline seeking an order to prevent the carrier from continuing the concessions while a new agreement was worked out.

In papers filed with the courts Eastern responded that the union was attempting to get rid of the concessions while keeping the benefits, including board representation and direct involvement in running the company.

However, in a surprise announcement Eastern said that it had agreed to pay back all wages deducted since January 1 and to restore full pay for the rest of this month.

The airline, which gave no reason for its decision, said the agreement immediately affects its machinists and non-contract workers. It added that it is making the same offer to its pilots and flight attendants, who were expected to agree.

Eastern Airlines made a profit in the 1984 third quarter but lost $41m in the first 11 months of last year. It has not made an annual profit since 1979.

N. AMERICAN QUARTERLY RESULTS

ABBOTT LABORATORIES
Health products

Fourth quarter	1984	1983
	$	$
Revenue	850.3m	802m
Net profits	123.07m	106.12m
Net per share	1.02	0.88
Year		
Revenue	3.1bn	2.93bn
Net profits	402.58m	347.82m
Net per share	3.34	2.86

AUTOMATIC DATA PROCESSING
DP Services

Second quarter	1984-85	1983-84
	$	$
Revenue	253.6m	218.5m
Net profits	20.1m	17.8m
Net per share	0.57	0.50
Six months		
Revenue	490.2m	420.8m
Net profits	35.5m	31.2m
Net per share	1.01	0.89

BANC ONE
Multi-bank holding

Fourth quarter	1984	1983
	$	$
Revenue	—	—
Net profits	27.77m	23.48m
Net per share	0.73	0.65
Year		
Revenue	—	—
Net profits	107.97m	93.28m
Net per share	2.85	2.55

CESSNA AIRCRAFT
Light commercial aircraft

First quarter	1984-85	1983-84
	$	$
Revenue	201.8m	137m
Net profits	4.76m	†8.71m
Net per share	0.24	†0.29

†Loss

HARRIS BANKCORP
Subsidiary Bank of Montreal

Fourth quarter	1984	1983
	$	$
Revenue	—	—
Net profits	12.29m	6.8m
Net per share	1.84	1.03
Year		
Revenue	—	—
Net profits	41.2m	31.2m
Net per share	6.19	4.71

CSX CORP
Railroad

Fourth quarter	1984	1983
	$	$
Revenue	1.9bn	2bn
Net profits	78m	104m
Net per share	0.52	0.76
Year		
Revenue	7.9bn	5.9bn
Net profits	465m	272m
Net per share	3.15	2.07

NORSTAR BANCORP
Bank holding

Fourth quarter	1984	1983
	$	$
Revenue	—	—
Net profits	20.71m	18.73
Net per share	1.16	1.10
Year		
Revenue	—	—
Net profits	77.25m	58.26m
Net per share	4.75	4.55

PARKER HANNIFIN
Fluid power systems

Second quarter	1984-85	1983-84
	$	$
Revenue	349.9m	308.4m
Net profits	18.2m	14.1m
Net per share	0.71	0.53
Six months		
Revenue	687.3m	595.7m
Net profits	38m	23.7m
Net per share	1.41	0.88

RALSTON PURINA
Agricultural food products

First quarter	1984-85	1983-84
	$	$
Revenue	1.55bn	1.33bn
Net profits	52.8m	80.2m
Net per share	0.58	0.86

SANTA FE SOUTHERN
Railway, natural resources

Fourth quarter	1984	1983
	$	$
Revenue	[illegible]	[illegible]
Op. net profits	183.6m	84m
Op. net per share	0.87	0.44
Year		
Revenue	[illegible]	[illegible]
Op. net profits	490.8m	333.4m
Op. net per share	2.51	1.77

SCM
Typewriters, printers, food etc

Second quarter	1984-85	1983-84
	$	$
Revenue	537.3m	460.5m
Net profits	0.25m	10.65m
Net per share	0.02	1.10
Six months		
Revenue	1.08bn	918.3m
Net profits	11.63m	15.37m
Net per share	1.17	1.64

INTL. COMPANIES & FINANCE

Ian Rodger on increasing competition in the U.S. aluminium industry

Alcan deal fuels fight for sales

THE APPROVAL by the U.S. courts last week of Alcan Aluminium's acquisition for some $500m of most of the aluminium interests of Atlantic Richfield (Arco) completes a major step in the restructuring of the U.S. aluminium industry.

But the latest batch of poor financial results from some of the leading companies in the world's largest market for aluminium suggests that the process is by no means over.

Aluminum Co of America (Alcoa), the largest U.S. producer slumped into a $14.7m loss in the fourth quarter of 1984, due to $51m in extraordinary items. But even excluding the loss, the fourth-quarter result was well down on the $96.3m figure earned in the same period of 1983.

Earlier last week, Kaiser Aluminum and Chemical, the third largest producer, reported a $27.8m fourth-quarter loss, attributing it to lower aluminium prices. This contributed to a full-year loss by the group of $53.9m, its third annual loss.

Only Reynolds Metals, which has a high proportion of finished products in its sales, continues to progress, reporting fourth-quarter net income of $38.4m, treble the level in the previous year.

All the U.S. producers have been caught out by the collapse of aluminium prices from a peak of 80 cents a lb in November 1983 to around the 60 cents level where it has languished for several months. They were at first surprised by this development because their markets were very strong. U.S. consumption of aluminium probably rose about 9 per cent to 4.6m tonnes in the full year.

However, imports were rising dramatically because of the high value of the dollar. Even when prices fell, some offshore suppliers had lower costs than the U.S. producers so some of the high cost smelters were closed.

This year promises to be no easier. The dollar remains at a very high level and the U.S. economy is slowing down, which means that consumption of aluminium is expected to show little or no growth. Meanwhile, the restructuring moves of last year are likely to increase the competitive pressure, at least in the near term, as new and growing players try to make their mark.

Competitive advantage

Comalco of Australia, for example, made its entry last October through a $400m acquisition of the aluminium business of Martin Marietta, the aerospace and building materials group. Alumax, the U.S.-Japanese joint venture, is building a new rolling mill complex in California and Noranda of Canada bought a sheet mill from Revere Copper & Brass in November.

But the most important recent move is the one by Alcan. The Canadian company is not exactly a newcomer to the U.S. industy, but it has had a relatively small position until the acquisition of the Arco assets. Its total U.S. assets amounted to $802m at the end of 1983 (compared to Alcoa's $4.4bn), and its presence was strongest in the mature and cyclical markets, such as transport equipment, building products, and cable.

The company has long wanted to improve its position in the U.S., believing it would obtain a clear competitive advantage in many fabricating markets by using low cost metal from its Canadian smelters. In 1977, it made a $140m bid for Revere's aluminium smelter and sheet mill but ultimately gave up trying to fight objections on anti-trust grounds by the U.S. Justice Department.

Like the Revere bid, the Arco bid a year ago was blocked initially by the Justice Department but in October a consent decree was agreed under which Alcan could acquire all the Arco assets it wanted except a new beverage can sheet rolling mill in Kentucky. It could have only a 40 per cent stake in that mill.

Apart from the can sheet mill, the Arco assets are, ironically, much larger than the Revere ones, and include a primary smelter, two sheet rolling mills, and two foil converting plants. Alcan also picks up Arco's share in an alumina refinery in Ireland, raising its holding to 65 per cent.

Mr David Culver, Alcan's chief executive, said the deal would double the company's U.S. sheet capacity and give it an entry for the first time into the U.S. foil and packaging businesses.

Objection dismissed

The sensitivity about the can sheet plant arose because this is the sector in which competition is at present most fierce. Indeed, the conclusion of the consent decree was held up until last week because Alcoa had lodged a technical objection to the formula for managing the Kentucky plant. A judge dismissed it on Thursday.

Can sheet is the only aluminium market where demand and prices have been fairly stable in recent years. Consequently, several producers have rushed in, building new rolling mills or expanding and modernising old ones.

Analysts have estimated that Alcan's part of the mill's 180,000 tonne annual capacity could raise its share of the U.S. can sheet market from 13.5 per cent to nearly 17 per cent. Alcoa, the leader in that market, has a 33 per cent share, Reynolds has 24 per cent, and Kaiser 17 per cent.

The fight promises to be fierce, with the canning companies, breweries and perhaps even the beer drinkers being the winners for a while.

Du Plessis steps down as Sanlam chief executive

By Our Johannesburg Correspondent

DR FRED DU PLESSIS has surprised many by resigning as managing director of Sanlam, South Africa's second largest life assurance group. His position as chief executive will be taken on April 1 by Mr Pierre Steyn, Sanlam's senior general manager marketing. Dr Du Plessis will remain as Sanlam's chairman.

No reasons have been given for Dr Du Plessis' sudden resignation. It is, however, widely believed in Johannesburg investment circles that the move is intended to allow him to devote more time to Sanlam's broadly-based industrial and mining subsidiaries.

Federale Volksbeleggings, the main industrial holding subsidiary, has performed particularly badly. In addition General Mining Union Corporation (Gencor), which is South Africa's second largest mining house and which is an indirectly controlled subsidiary of Sanlam, has still to decide who will succeed Mr Ted Pavitt as Group executive chairman.

Saan disposes of Argus holding

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICAN Associated Newspapers (Saan) has raised some R5m ($2.2m) to help finance its circulation battle with the competing Argus group by selling its entire shareholding in Argus.

Saan and Argus are engaged in a vigorous circulation battle in which Saan's Rand Daily Mail is competing with the Star, which is published by Argus, for the Johannesburg daily English Language market. In addition Argus last year launched the Sunday Star which has made inroads into the market of Saan's Sunday Express in the Johannesburg region.

Saan has old its entire 99,000 share holding in Argus at R50 a share to Anglo American Corporation—South Africa's largest mining and industrial conglomerate. Purchase of the shares has increased Anglo American's direct and indirect interests in Argus to about 35 per cent of the publishing company's 1.54m issued ordinary shares.

In its turn, Argus owns 39.4 per cent of Saan's ordinary capital. A further 13.5 per cent of Saan's capital is owned by Johannesburg Consolidated Investment (JCI), a mining house which is controlled by Anglo American. An additional 21 per cent of Saan's equity is owned by the Advowson Trust which is comprised of nominees of Harry Oppenheimer, Anglo America's erstwhile chairman.

Tokyo SE tightens margin trading rules

TOKYO—The Tokyo stock exchange has tightened its requirements on margin trading, the buying or selling of shares on credit.

Under the new rules, effective from January 17, investors wishing to buy or sell on margin will have to put up 60 per cent of the transaction's value (the purchase price in the case of a buying operation) in cash or collateral, up from 50 per cent previously.

The exchange decided to tighten the rules because the market was becoming "overheated," an official said.

Tokyo's Nikkei Dow Jones index has risen 421.92 points to yesterday's record closing 11,964.52 from the 11,542.60 on December 28, the last trading day of 1984.

The more broadly based Tokyo Stock Exchange First-Section index has climbed 22 points to 935.37 yesterday from 913.37 at the year end.

In the process, the outstanding balance of shares bought on margin on the Tokyo, Osaka and Nagoya exchanges had risen to a record Y2,897bn by January 11, the latest reporting day. Outstanding margin selling, a form of short selling, rose to Y325.2bn from Y304.5bn.

Those margin purchases will have to be either paid up in full or sold eventually, in most cases within six months.

AP-DJ

C. Itoh sells Toa stake

BY BERNARD SIMON IN TORONTO

TOKYO—C. Itoh, one of the leading Japanese trading houses, said yesterday that it had signed an agreement to transfer its full 10.28 per cent stake in Toa Oil to Showa Shell Sekiyu KK, Toa's largest shareholder.

The agreement signed last Friday releases C. Itoh from a 10 year contract begun in 1979, under which Toa refined 50,000 barrels of crude oil per day for sale to third parties.

In compensation for stopping the contract, C. Itoh will pay Showa Shell Y11bn ($43.2m) by the end of this month.

Toa will repay C. Itoh an outstanding loan of Y15.2bn by the end of March 1986, C. Itoh said in a statement.

C. Itoh expects the deal to have no impact on its profits for the year ending next March 31 because costs incurred by stopping the contract will be offset by current account profits and sales of securities holdings.

C. Itoh last November forecast an after-tax profit of about Y5bn for the year ending March 31, compared with Y3.41bn in 1983-84.

Reuter

UAE issues CDs to stem dirham outflow

By our Abu Dhabi Correspondent

THE UAE Central Bank yesterday launched its first issue of certificates of deposit (CDs), in the hope of stemming the flow of dirhams abroad.

The CDs, although dirham-denominated, have to be paid for in dollars and the bank intends to give a favourable exchange rate, fixed at 3.6725 dirhams to the dollar. The rate normally quoted is 3.361. The interest rate will be slightly lower than Abu Dhabi interbank rates and the CDs will be available at maturities of one, three, six and twelve months.

The issue is specifically aimed at banks with extensive dollar holdings offshore. Official statistics for the first nine months of 1984 indicated a marked increase in the rate of dirham outflow for that period.

Last October, reaction to the proposed CD issue was guarded, in view of the relatively low interest rate, coupled with the stipulation that the CDs must be purchased with dollars.

UK COMPANY NEWS

United Newspapers buys U.S. magazine publisher

BY SUE CAMERON

United Newspapers, the fast growing group which owns Exchange and Mart, Punch and The Yorkshire Post, is buying U.S.-based Miller Freeman *Publications for a down payment* of $9.4m (£8.4m). The final price — depending on profits over the next five years —could be as high as $17.2m.

The deal is the third major purchase by the UK-based United in as many months. In November last year United paid *£82.3m for the UK-based Link* House publishing group. And earlier this month it bought a 15.25 per cent stake in Fleet Holdings, owner of Express Newspapers, from Pergamon Press for £30.6m.

Yesterday's deal marks a further build up of United's flourishing U.S. operations. The family-owned Miller Freeman group, which is based in San Francisco, published eight national and international magazines. These include specialist magazines in the paper and forestry industry and in the cardiology, radiology and computer markets.

United has agreed to make further payments to the Freeman family over the next five years up to a maximum of $7.8m. But they will only receive the full $7.8b—on top of the immediate downpayment of $9.4m—if the group's aggregate pre-tax profits over the next five years top $16.5m. If profits fail to reach this figure, the Freeman's "take" *will be proportionately reduced.*

This type of deferred payment scheme is designed to act as an *incentive to managers and is* fairly common in the U.S. The present owners of Miller Freeman—Mr Marshall Freeman, Mr Leigh Freeman and Mr Miller Freeman III—will continue in their present positions with the group.

Miller Freeman's pre-tax profits in 1983 were only $31,000 after deducting $1.3m initial losses on the launch of new magazines. And in the first nine *months of 1984, the group had* losses of $900,000 folowing further losses of $31.93m again associated with the new launches.

But last night Mr David Stevens, chairman of United, said that Miller Freeman's launch of new magazines was *simply taking longer to come* into profit than had been expected. Launches, he added, were always expensive.

"We bought it because we linked the business, it adds to our existing magazines in the U.S. and we think it can be further expanded by adding on individual magazines. Miller Freeman employs some 200 odd people and we think they'll have *the expertise to take in other* publications.

"The deal also gives us a base on the West coast of America, where the economy is growing more quickly than in the rest of the country. Our other magazines are based in New York on the East coast—they're doing very well."

Since Mr Stevens became chairman four years ago, United has made four purchases in the U.S.: *Miller Freeman; Gralla* Publications, which was bought for $44m in 1983, with further payments due until May 1987, but dependent, like the Miller Freeman deal, on profits; PR Newsire Association, bought for $9.5m in 1982; and Mediawire, bought in 1983 by PRN.

In 1981 United's *profits* came entirely from the UK and 90 per cent of them were contributed by newspapers. Under Mr Stevens leadership the balance changed *until by last year 60 per cent of* profits were coming from the U.S. and only 40 per cent from the UK. But this year, following the purchase of Link House, the balance is expected to be about 50/50.

Hanson has 24% of Powell and extends

By Martin Dickson

HANSON TRUST has extended until January 29 its £170m takeover bid for Powell Duffryn, the distribution and storage group, but said yesterday that the offer would not be revised or increased.

Hanson announced that it had received acceptances covering 20.29 per cent of Powell Duffryn's ordinary shares by last Friday, the first closing date for its offer. That, together with the 3.69 per cent it held prior to the bid, gives Hanson a 23.98 per cent interest in the equity.

Lord Hanson, the chairman *of Hanson Trust, said that* "nothing we have heard from Powell Duffryn persuades us that our existing generous offers do not value the company very fully. The offers will not be increased or revised."

The level of acceptances led to a feeling among City analysts yesterday that the baatle was moving Hanson's way. "*This is more encouraging for Hanson than Powell Duffryn,*" said Mr Michael Murphy, of brokers Quilter Goodison.

However, Powell Duffryn is expected to send a letter to shareholders later this week urging rejection and insisting that the bid undervalues the company.

Hanson is offering four of *its shares for every three* Powell Duffryn ordinary. At last night's Hanson closing price of 346p, up 2p on the day, the bid is worth 461p for every Powell Duffryn share. That compares to last night's Powell Duffryn close of 445p. down 3p.

Hanson has also received acceptances for 61.18 per cent of Powell Duffryn's preference shares.

Rothschild clears the decks

BY JOHN MOORE, CITY CORRESPONDENT

Smith Bros, the stockjobber in which NM Rothschild, the merchant bank, has an interest, is *acquiring the 49 per cent share*holding held by Rothschild in its international dealing company, Smith New Court. Smith Bros is issuing 3.3m of its shares to Rothschild to buy the stake. On the basis of yesterday's share price of the jobber the deal is worth £3.8m.

Rothschild said yesterday that the move was designed to eliminate minority stakes in its planned security operations *which would make it easier* "to pull things together in the future."

Following the issue of 3.33m new ordinary shares Rothschild will own 4.23m in Smith Bros (24 per cent) and hold £5.65m loan stock convertible into a further 5.65m ordinary shares in Smith Bros. Assuming conversion of this stock by Rothschild and other holders, the Rothschild group would own 34.6 per cent of the issued share capital of Smith Bros.

The Rothschild group is pro*hibited by the present rules of* the Stock Exchange from converting its holding of loan stock beyond the point where it would exceed 29.9 per cent of the jobber's ordinary capital.

Rothschild forged its link with Smith Bros in December 1983 at the same time announcing plans that it intended to participate in Smith Bros international dealing plans by holding 49 per cent in a joint company and subscribing £4.9m.

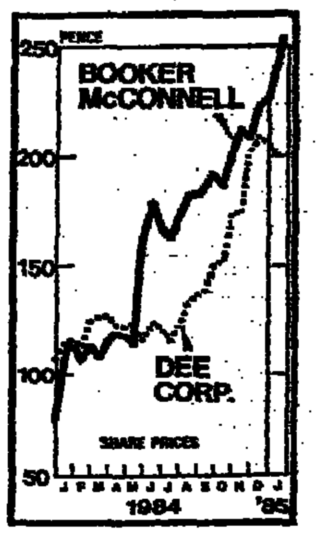
The new company, Smith New Court, which started operations last spring, has had a difficult trading period. At the half-way stage in the group's financial year, Mr Tony Lewis, Smith's *chairman, said that results from* the international dealing operation were improving because of refinements in trading methods and more effective cost control.

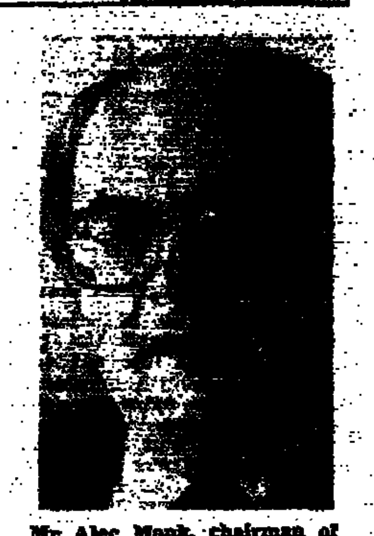
Since then Smith Bros has forged a link with Scott Goff Layton, the stockbrokers, taking a 5 per cent stake in the firm.

Alexander Nicoll previews the monopoly probe into £232m Dee bid

Unravelling the Booker saga

Mr Michael Caine, chairman of Booker McConnell





Mr Alec Monk, chairman of Dee Corporation

A REPORT by the Monopolies and Mergers Commission may not be as gripping as Ian Fleming's On Her Majesty's Secret Service.

For Booker McConnell, however, tomorrow's expected publication of Commission findings will hold far more real-life suspense than the James Bond novels to which it owns the rights.

Mr Norman Tebbit, Secretary of State for Trade and Industry, is due to reveal his decision on a Commission inquiry into Dee Corporation's £230m bid for Booker, *launched last June.*

He will either agree with Booker's case that a merger of the two companies' wholesale *cash-and-carry operations would* create an unhealthy market concentration; or he will accept Dee's belief that the bid should not be barred on grounds of competition. Less likely, though the subject of considerable City speculation, is a green light for Dee conditional on the sale of *all or part of* Booker's food distribution business.

Dee, headed by the acquisitive Mr Alec Monk, will be in a strong position if it is allowed to bid. It has 19.9 per cent of Booker, and Booker's past profit record provides plenty of ammunition for a hostile bidder.

It *has stressed, however, that* it would not necessarily proceed with its offer even if cleared to do so. Under Takeover Panel guidelines, a bidder may renew an offer within three weeks of Government clearance. *If it does* not do so, it must wait until a year after the original bid was *referred to the Monopolices* Commission.

For both companies, the position has changed considerably since last June: Dee rarely stands still, while Booker has been forced by Dee's bid into a rapid shakeup of management and corporate structure.

Dee, formerly known as Linfoods, recently doubled its supermarket presence with the £180m purchase of 380 International Stores from BAT Industries. Its Gateway Foodmarkets chain had already gathered Key Markets, Frank Dee stores and Lennons under its wing. The purchase from BAT *was funded* by a *large* issue of Dee shares which were then distributed in the biggest ever "vendor placing."

The latest acquisition pushed Dee, which also own Carrefour supermarkets, into fourth place among British grocery groups. The group also has a cash and carry wholesale operation which has found it hard to make profits.

Booker, which once relied on Guyana sugar plantations and gradually developed into a sprawling mass of unrelated businesses, has clearly been *sharpene dand revitalised in* recent months. "I don't think the bid's done Booker any harm," says Mr Jonathan Taylor, managing director. "It's got us moving, speeding up processes that were already under way."

Immediately after the Dee bid was referred to the Monopolies Commission, there was a boardroom shakeup at Booker. Mr Michael Caine stayed on as chairman, but Mr Taylor was brought back *from the* U.S. into his current post. The finace director was replaced, and two other directors also resigned.

The new team quickly accelerated Booker's programme of disposals and acquisitions, creating three operating divisions instead of seven. Agribusiness, health products and food distribution are now its staples, with other activities such as engineering and the group's *book interests accounting* for a dwindling proportion of assets.

Since last June, Booker has sold its shipping subsidiary and several properties. It has bought a small chain of convenience stores, and is discussing a franchising agreement with Sperrings, the Southampton-based convenience store group. Other purchases have included an additional stake in a U.S. *nutritional* products company, a UK forestry manager, and a salmon processor.

Most significant has been its £17m acquisition of Agrisort, a UK company which breeds agricultural and horticultural seeds and makes high-technology agricultural sorting equipment. Dee, as a shareholder, voted against the purchase. At the same time, Booker increased its *holding* in Ibec, a U.S. holding company for agribusiness interests, from 80 to 90 per cent.

Pre-tax profits are expected to show a sharp increase to over £34m for 1984 from £22m in 1983, with a further gain anticipated for 1985.

Dee, not *surprisingly*, has tried to pour cold water on Booker's latest achievements. In a recent circular, Mr Monk said it had noted that "the translent strength of the dollar against sterling has been favourable to Booker's 1984 results and also that the profit figures . . . may be expected to show the temporary benefit of short term *measures introduced in the time* gained by securing a Monopolies Commission reference."

Mr Taylor of Booker counters that Dee would be ill-fitted to acquire a business as large as Booker while it wras still digesting the purchse of International Stores.

That Booker has entertained the idea of a deal with Mr Monk was proved by abortive talks between the two sides held after the Commission reference. Dee offered £23m for Booker's 162 Budgen and Bishops supermarkets, but the price was rejected as "clearly inadequate." Mr Taylor says now that "I can't say that we see the basis of doing a deal with Mr Monk at the moment."

The crux of the Commission report will be the two group's cash and carry operations. Booker argues that a combined group would have 25 per cent of the national wholesale cash and carry market, 37 per cent of the number of depots nationwide and *heavy concentrations in* some regions. *It says that* Dee, with a large number of smallish supermarkets, is noet an appropriate owner of a leading *food* wholesaling business supplying its own stores and their competitors.

From tomorrow, the sniping will either have to stop, or it will resume with a vengeance. Booker's share price at 257p yesterday, up 4p, values the company at £324m compared with the £232m at which Dee's shares, plus loan stock, offer was pitched. A revision of the bid terms would obviously be in order, but this would be aided by the rise in Dee's own share price.

Evode hit by pressure on adhesive margins

CONTINUED pressure on margins in the adhesives and *sealants division at Evode Group* is given by Mr Andrew Simon, chairman, as the major cause of the fall in taxable profits from £2.53m to £2.31m for the year ended September 29 1984.

He points out that if the group had been able to hold its margins there, profits would have been some £400,000 to *£500,000 higher*. Evode brought in a number of price increases towards the end of 1984 but Mr Simon says he *did not expect to* make up all the ground lost on margins last year.

"We hope we have limited the erosion and that we will start to get a little bit back," he states.

At the midway stage pre-tax profits were up from £865,000 to £911,000 and in October the *directors said that the trend of* the group's trading performance in the second half was continuing in line with that of the first. They expected full year figures to be similar to the previous year and would principally reflect the pressure on margins in the adhesives and roofing businesses.

With some £3m of the increase due to acquisitions during the year, group turnover moved ahead from £46.1m to £53.3m.

Mr Simon explains that "very substantial" cost reduction programes were implemented to redress the situation in the adhesives and sealants sector coupled with organisational changes. Evode Industries, in the Republic of Ireland has also been *substantially rationalised.*

"The benefits of these will begin to come through to profits mainly during the second quarter of the current year," he states.

Trading conditions during the first quarter of the current year were generally satisfactory, the chairman says, and directors are *beginning to see some of the* benefits of the cost reduction programme. Evode Roofing has a record order book and demand for powder coatings continues to grow. He adds that recent acquisitions made a good profit contribution.

"During the financial year we will achieve the benefits from the various actions taken during the past 12 months. We believe that the results for 1984-85 will show a return to *increasing levels of* profitability."

He says the group will also benefit from the first year's profit contribution from the acquisitions made towards the end of last year, particularly from Hiflo, Worralls and Carter Brothers. These will increase profits by approximately *£600,000* after financing charges in the current year, the chairman states.

A *divisional* analysis of both turnover and pre-tax profits shows: adhesives and sealants £28.6m (£26.92m) and £1.04m (£1.4m); roofing and insulation £10.19m (£8.32m) and *£779,000* (£851,000); paints and plastics £14.44m (£10.91m) and £473,000 (£245,000); other £39,000 (£46,000) and £20,000 (£37,000).

Capital expenditure remained at a very high level throughout the group following its policy of developing the business sectors with growth potential and improving productivity. Expenditure on fixed assets was £3.6m, 2.6 times the depreciation charge. Acquisitions costing *£2.6m have been made while the* level of net gearing at the year end was 34 per cent.

The total dividend is up from 2.44p to 2.81p, as forecast, with a final payment of 1.99p. Basic earnings per 20p share were 13.25p (11.8p) and 11.51p (11.69p) fully diluted.

Profits for the year were after unchanged interest charges of £724,000 and subject to much lower tax of £161,000 (£647,000). After an extraordinary debit of £1.03m (£76,000 credit) the available balance came through down from £1.96m to £1.12m. Dividends absorb £510,000 compared with £388,000.

The extraordinary items cover rationalisation costs and deferred tax, but also takes into account a near £250,000 windfall on the sale of the group's stake in adhesives maker, Copydex, taken over by Beecham last year.

Asked about possible acquisitions Mr Simon said later that he thought this year that unless a golden opportunity came along the group would be looking to consolidate. "Then next year we would be interested in further acquisitions."

● comment

On one side raw material costs have been rising with the dollar's strength, on the other the buying power of the retailers requires even keener pricing and in the middle sits Evode's diminishing margins. Profits in the second half fell by 16 per cent—worse than the market expected but not by very much. Yet it looks as if the group has already pulled itself out of the downward slide following some heavy costing cutting in the adhesives and sealants division which was the worst hit in '84. Even without the help of last year's four acquisitions Evode *should* be able to imporve on the £2.5m of 1982-83 and with a £600,000 contribution from its new subsidiaries a total of £3.25m looks within its grasp. That drops the prospective p/e, after a 35 per cent tax charge, to 9 at 113p which in o building materials rating and ignores any claim to speciality chemicals the group may have. But that is fair for the present. Evode has to show it can perform again. Further acquisitions look unlikely this year—unless, that is, Dunlop's chemicals business comes up for sale.

Contracts shortage hits Real Time at halfway

DELAY BY *major* retail organisations in the placing of contracts has hit midway profits *at Real Time Control and the* directors say that it is unlikely that performance for the year will match last year's outcome, when pre-tax profits slipped by *£37,000 to £817,000.*

For the first six months to September 28, 1984, pre-tax profits of this USM-quoted manufacturer of computer systems and terminals fell sharply from £415,000 to £118,000. The directors point out that a satisfactory performance in turnover, which moved up from £1.75m to £1.89m, was not matched by group profits.

The directors say that the group *is* entering the final quarter of the year with a "satisfactory order book" for both EPOS equipment and keyboards.

First half earnings per 5p share were shown as falling from 2.84p to 1.06p, before extraordinary items.

During the period under review major retail organisations delayed placing contracts *for EPOS (electronic point of* sale) equipment at a time when the directors say the company has to maintain a "heavy burden" of overheads in advance of that commitment.

They say a further detrimental factor has been the shortage and consequent price rise in components, compounded by the decline in sterling, both elements adversely affecting margins.

Pilot EPOS schemes in operation for various retail organisations in several sectors continue to demonstrate the company's expertise, say the directors, and dominance of the supply of EPOS equipment to the wholesale food industry has been maintained.

Pre-tax profits were struck after investment income of £50,000 (£79,000) and were subject to tax of £44,000 (£216,000).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
John Beales ....int	1.2	—	1.15	—	3.65‖
Brooke Tool	1	—	Nil	1	Nil
Evode Group	1.99	—	1.73	2.81	2.44
MME Facilities ......int	0.7‡	Apr 8	0.53	—¶	2.1
Restmor ....int	0.75	Mar 8	0.75*	—	3.76*
St Andrew Tst	5.2	—	4.5	7.7	7

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Final of not less than 1.75p forecast. ‖ For 63-week period.

UK COMPANY NEWS

Brooke Tool progresses to £0.84m

DESPITE TWO of its subsidiaries being adversely affected by the miners' strike Brooke Tool Engineering (Holdings) raised its profits, before tax, by £319,200 to £843,000 over the year to September 30, 1984.

Moreover, prospects for the current year are described as "encouraging" in spite of the continuing dispute.

As expecter, dividends are being resumed with a payment of 1p net per 5p share for 1983-1984. The last payment was a 0.75p interim on the 25p shares in 1981.

The two subsidiaries affected by the dispute are involved in mining tools and mining equipment and depend on the NCB for the bulk of their orders.

When the dispute ends the group expects to look forward to further organic expansion enhanced by a carefully considered acquisition policy and further growth in overseas markets with the strengthening of operations in the U.S., Europe and the Pacific Basin.

Group turnover for the 12 months pushed ahead from £8.32m to £9.43m and operating profits improved from £749,300 to £1.03m. Pre-tax results were struck after taking in a £4,600 share of profits of the related company, compared with previous losses of £8,000, and deducting interest charges of £192,100 against £217,500.

During the second six months the group as a whole maintained the momentum created by improved turnover in the engineers' cutting tool businesses throughout the world, particularly in the U.S. where operations were assisted by the falling value of the pound against the dollar.

Tax for the year rose to £154,000 (£32,000) but minorities added £15,000 (£900). Extraordinary debits were reduced to £54,600 (£383,500).

Earnings rose by 1.4p to 5.4p basic per share before exercise of the conversion rights. Fully diluted and after conversion they totalled 3p (2.1p).

At year-end shareholders' funds amounted to £2.33m and with net borrowings at £1.09m the debt ratio was cut from 61 per cent to 47 per cent.

Expectations of a return to the dividend list were given in the interim statement. The directors at that time said they did not consider the mining dispute would have any overall effect on the group's medium or long-term future.

First half pre-tax profits rose from £192,000 to £419,000 but the dispute was expected to cause a significant reduction in figures for the second half.

● comment

The miners' strike hit the two mining tools and equipment divisions of Brooke Tool throughout the second half. The damage to profits is not revealed in the figures, nor is the currency gain from increased trading in the U.S. mut the two engineering cutting tool businesses, undoubtedly performed well, allowing the company to return to a dividend payment of 1p at the final. The strike has somewhat clouded the improving picture at Brooke Tool since institutions assisted with a capital reconstruction two years ago. The chairman, Fane Vernon, has overseen a slimming down operation which leaves the company as a leader, by market share, in its areas of operation. The company had begun to reduce its dependence on the National Coal Board before the strike and now the NCB accounts for 20 per cent of turnover against 35 per cent—a proportion which will probably decline further as the company expands. It is on the look out for acquisitions now that it has gearing down to 47 per cent and overseas sales are so buoyant. The shares rose 3p to 27p yesterday to give a historic p/e of 8.6.

Expenditure checks Restmor expansion

DESPITE AN increase in turnover from £6.83m to £7.43m at Restmor Group, substantial capital investment has had the expected effect upon taxable profits which were little changed at £804,000 for the half year to November 2 1984, against £793,000.

The directors, however, feel that the benefits of such expenditure will be reflected in the company's future performance.

Last October the directors said that this baby carriages and nursery furniture maker had been able to sustain steady growth in its activities during the 1983-84 year—profits rose from £1.49m to £1.76m—most of which was due to success of new product lines.

They added that accurate prediction of future results was extremely difficult, but they hoped that growth would continue. During the current year the group would substantially increase the level of capital expenditure, they stated, mainly by the construction of a new factory building at Hackbridge.

The interim dividend is effectively unchanged at 0.75p following last year's one-for-one scrip—last year's adjusted final was 3p.

Trading profit at midway was £821,000 (£819,000) and the pre-tax figure was after associate's loss of £17,000 against £26,000. Tax took £369,000, compared with £426,000 after which earnings per 25p share were 4.22p (3.56p).

MME midway rise in line with forecast

FOLLOWING THE statement at the anual meeting last November of MME Facilities that sales were running 30 per cent up in the first four months of the financial year, the figure for the first half to the end of 1984 came out ahead from £556,000 to £740,000 (33 per cent), while pre-tax profits were lifted sharply from £120,000 to £201,000.

Mr Gordon Currie, chairman, says that trading in the second half is continuing at the same level as in the first, and he anticipates that profit margins will be maintained on the increased turnover.

Also at the annual meeting, the directors forecast a 41 per cent rise in pre-tax profits to net less than £450,000 for the current year.

The interim dividend has been lifted from 0.525p to 0.7p—shares of this facilities house which is engaged in editing, copying and cassetting operations for broadcast television contractors and video producers are traded on the USM. On the base of current levels of business, the directors say that an increased final of not less than 1.75p (1.575p) will be declared next September.

First half earnings per 10p share are shown as 1.88p (1.08p).

A two-for-23 scrip is also proposed—the new shares will rank for the forecast final.

Substantial reserves represented by cash and short-term investments are available to finance acquisitions and expansion within the industry.

First-half pre-tax profits were struck after depreciation of £131,000 (£84,000), and were subject to tax of £28,000 (£21,000).

The company's name is to be changed to Capital Television Facilities, following an EGM last December, when the scrip issue was also first proposed.

Low margins restrict J. Beales

WITH no sign of an improvement in margins, John Beales' taxable profits edged ahead by only £8,000 to £230,000 in the half-year to November 30 1984.

The group, which manufactures Marathon clothing, suffered also from a sharp reduction in net investment income as a result of the purchase and refurbishment of a large factory complex in Loughborough, Leicestershire. Interest costs took more at £60,700, compared with £37,000.

The interim dividend is raised from 1.15p to 1.2p net per share, following a 3.65p total for a 63-week period. Earnings are stated at 5.9p per share basic (5.7p) and 5.5p (5.2p) fully diluted.

Turnover moved ahead from £6.6m to £7.03m, producing operating profits of £229,000 against £182,000 after net operating expenses of £308,000 (£289,000). Mr D. Tittle, chairman, says that the overall volume of business continues to increase.

He is confident that the group will continue to make progress, and says that the board will carry on with its policy of selective product development, underpinned by strict financial controls and investment.

The Loughborough investment is part of a plan to re-organise manufacturing. In February the operations and workforces of three smaller factories in Loughborough will be transferred to new premises. Three surplus factories have already been sold, subject to contract, for a sum in excess of £300,000. In addition the directors have decided to close a factory in South Wales.

Midland to buy Crocker balance

Midland Bank and Crocker National have signed a definitive agreement for Midland to buy the 47 per cent of the California Bank which it does not own.

The terms, agreed last week, give shareholders one share of new Crocker adjustable rate preferred stock with a stated value of $27 for each common share. The terms had to be revised downwards earlier this month after Crocker reported another huge loss for the fourth quarter of 1984.

The terms also oblige Midland to provide Crocker with whatever capital resources it needs to meet U.S. banking rules.

The agreement must now go before both banks' shareholders for their approval.

Dowty expands in electronics with £4.5m buy

Dowty Group has taken a further step in the expansion of its electronics division with the acquisition of Steebeck Systems, a data communications manufacturer based in Newbury.

The consideration is £4.5m, payable as to £3m on completion and, in each of the three years following completion, a further conditional instalment of a maximum of £0.5m.

The initial £3m will be satisfied by £2.39m in cash and the balance by the issue of 305,000 Dowty shares. The three further instalments will be payable in cash.

In May last year Dowty paid £13.5m for Chesham Lion, an unquoted electronics company, in a deal which fuelled Dowty's already rapid growth in the electronics field.

The group, which also has three other divisions—aerospace and defence, mining, and industrial—last week reported a substantial increase in taxable profits for the half-year to September 30, 1984, up from £11.94m to £20.08m on turnover ahead by nearly £40m at £218.66m. Electronics accounted for £2.99m (£2.66m) of operating profits.

* * *

Manders (Holdings), the Wolverhampton-based paints and printing inks company, has acquired its wholesaler partners' 84 per cent holding in Trend Voluntary Group Services.

Mixed results worldwide for Eagle Star Insurance

EAGLE Star Insurance Group, a member of BAT Industries, has announced mixed results on its worldwide life and pensions business last year.

New annual premiums declined 7 per cent from £54.4m to £50.5m, while single premiums advanced by 60 per cent from £97.4m to £155.8m.

New annual premium business in the UK was adversely affected by the ending of Life Assurance Premium Relief. New annual premiums fell nearly 30 per cent from £39.1m to £28m. Mortgage-related business was halved from £13m to £6.7m, while the company discontinued building society linked business with the ending of LAPR.

Single premium business in the UK was buoyant last year with immediate annuity considerations, mostly connected with pensions rising by half from £58.9m to £87.8m and leading to total single premiums rising nearly 40 per cent from £85.1m to £118.3m.

Individual pensions business was good in 1984 both for self-employed and executive contracts. New annual premiums rose more than 50 per cent to £4m, while single premiums doubled to £8m.

The managed fund subsidiary, Eagle Pension Funds, saw increased annual premiums amounting to £4.7m, but single premiums were slightly lower at £4.6m. In addition there was a transfer of £9m of annual premiums and £6.7m single premiums from schemes previously insured with Eagle Star.

Total value of managed funds amounted to £850m—boosted by the transfer of the investment management of some pension schemes within BAT Industries.

Royal London Mutual Insurance Society reported a 3 per cent rise in new annual premiums in its Industrial branch from £9.26m to £9.54m last year in spite of the loss of Life Assurance Premium Relief. The underlying growth in business in this branch was just under 10 per cent.

However, new annual premiums in the Ordinary branch were hit by LAPR loss. New annual premiums on traditional business were a quarter lower at £6.41m against £8.55m, with mortgage-related business also affected by the 1983 MIRAS boom.

Unit linked annual premiums were cut from £441,000 to £373,000, but personal pension annual premiums more than doubled from £735,000 to £1.49m. This left total annual premiums in the Ordinary branch 15 per cent down at £8.27m against £9.73m.

Single premiums fell slightly last year from £5.72m to £5.55m, the decline coming for linked life bond sales which dropped from £5.59m to £5.35m.

Anglo Nordic

F. L. Smidth, a Danish engineering and building equipment company, has received acceptances covering 687,361 ordinary shares (approximately 3.6 per cent) for its offer for Anglo Nordic, a UK holding company with engineering and property interests.

Together with the 46.45 per cent already owned by its subsidiary FLS UK, and the 2.45 per cent owned by Freelanz group, this amounts to 52.5 per cent of the capital of Anglo

The 23p per share offer, which values Anglo Nordic at £4.4m, was made purely to comply with the City Takeover Code. FLS, which does not want to increase its interest in Anglo Nordic substantially, has an option to sell to CDSA shares acquired in excess of 51 per cent.

Pentland Inds. deal extends U.S. interests

Through the subsidiary, Associated General Supplies, Pentland Industries has completed the acquisition of a 51 per cent holding in Holmes Products Corporation for an initial consideration of $450,000 (£400,000).

Holmes is incorporated in the U.S. and imports heaters, humidifiers and fans from the Far East.

Additional consideration may become payable depending on Holmes' results for 1985 and will be equal to the increase in the net asset value of Holmes for 1985 after deducting $450,000. The additional consideration is subject to a maximum additional payment of $250,000. All consideration is to be satisfied by a cash subscription by ASCO for new shares in Holmes on completion ASCO was allotted shares in Holmes representing 51 per cent of Holmes' enlarged capital.

Any additional consideration will be satisfied by a further cash subscription by way of share premium by ASCO to Holmes.

The net asset value of Holmes at the end of 1984 was approximately $235,000, and net profit for the 11 months to the same date was approximately $70,000.

COMPANY NEWS IN BRIEF

Increased pre-tax losses of £232,000, against a restated £141,000, were incurred by oil and gas exploration company Pennine Resources in the half year to end-September 1984.

While turnover increased from £5,000 to £114,000, the company suffered a higher trading loss of £411,000 compared with £270,000. This increased loss was after depreciation, depletion and amortisation of £146,000 (nil) and other operating charges higher at £379,000 (£275,000).

Profits from the sale of assets and investments added £180,000 (nil), while interest received contributed £106,000 (£129,000). There was interest payable this time of £107,000 (nil).

* * *

The current year had started well, Mr Richard Wheeler-Bennett, chairman of Thomas Borthwick & Sons, told the annual meeting. An early season in New Zealand, and stable relationships with unions, produced conditions favourable to the company's works and he said that trading forecasts were encouraging.

In the last full year, pre-tax profits of this international meat trader grew from £3.8m to £4.19m on turnover of £541.79m (£539.86m).

The chairman said management was taking energetic action in Australia but it was too early to say what effect that would have on the results of operations there this year.

The group position at the end of the first quarter was encouraging, although the company had to be mindful of the unexpected fluctuations to which the bulk of its business was exposed.

* * *

Greenfriar Investment Co saw its net asset value increase from an adjusted 239.4p per 25p share at end-December 1983 to 270.1p at the end of 1984.

The single final dividend for 1984 is lifted from an adjusted 1.35p to 1.6p, following a one-for-one scrip last year.

Investment income fell from £379,911 to £366,876 and other income was down at £10,140 compared with £19,269.

Pre-tax profits of £347,670 (£200,905) included income from deposits of £81,051 against £48,621. The pre-tax figure was struck after interest charges of £143,762 (£175,179), and slightly higher administrative expenses of £76,635 (£71,717).

* * *

Bett Brothers recovery continues with the announcement of £1.31m pre-tax profits for the year to August 31, 1984, which compares with a forecast of £1.1m and £377,000 for 1983.

The year's dividend is 3.1p (2.65p) net with a final of 1.9p a share. Earnings per 20p share were given as 5.84p (1.29p).

* * *

Losses in Ireland offset the performance from housing and plant hire in the UK and a positive result from merchanting at Abbey for the six months to the end of October 1984. A reduction in turnover was brought about by "a large cessation of trade in Ireland."

There is again no dividend—a total of 3.94p was paid in 1983.

After exceptional debits of I£1.01m this time on write-downs in lands and property, profits came through down from I£1.37m to I£748,000. Interest costs fell from £1.56m to £895,000—gearing has been held at about 53 per cent.

Turnover fell from £37.49m to £27.95m.

Last December Gallagher Holdings hold 28.86 per cent of ordinary shares.

* * *

Net asset value per ordinary and B ordinary share in Murray Smaller Markets Trust rose by 18.5 per cent to 203p in the six months to November 30 1984. There was an increase of 22.5 per cent over the past year.

Earnings per 25p share rose from 2.36p to 2.6p, and the interim dividend was up from 0.6p to 0.7p net—paid on January 7.

Pre-tax revenue for the six-month period was substantially higher at £852,000 compared with £284,000, with dividends and interest contributing £1.26m (£1.11m). Interest on borrowed money was down, however, from £751,000 to £318,000. Expenses took £94,000 (£73,000) and there was a tax charge of £344,000 £141,000.

The directors anticipate that revenue for the full year to May 31 1985, will show a more modest increase than that seen in the opening half.

* * *

Spirit Music Holdings, a music publishing and record producing company, headed by Mr Ben Findon for the last decade, is joining the over-the-counter market run by Afcor Investments, a licensed dealer in securities.

Afcor, acting for its parent Munro Corporate, another licensed dealing company, has placed 1.7m 5p ordinary shares in Spirit Music at 25p per share, raising £425,000 for the company before expenses. Dealings on Afcor OTC market will start tomorrow.

Notice of Redemption

Continental Telephone International Finance Corporation

5½% Guaranteed Debentures Due 1988

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of March 1, 1968 under which the above described Debentures were issued, Citibank, N.A., as Trustee, has drawn by lot, for redemption on March 1, 1985, through the operation of the sinking fund provided for in said Indenture, $2,400,000 principal amount of Debentures of the said issue of the following distinctive numbers:

COUPON DEBENTURES OF $1,000. PRINCIPAL AMOUNT OUTSTANDING

M7	899	2007	3079	4588	5775	6923	7786	9125	10059	12656	17604	20356	21226	22444	23820
33	902	2008	3080	4589	5777	6924	7827	9126	10060	12784	17776	20361	21227	22447	23850
38	903	2011	3081	4610	5779	6927	7828	9136	10061	12799	17777	20362	21244	22454	23851
39	932	2015	3084	4611	5785	6929	7837	9143	10083	12835	17804	20380	21259	22455	23900
40	933	2020	3151	4613	5787	6930	7839	9148	10086	12838	17813	20383	21272	22479	23901
41	936	2021	3168	4620	5796	6931	7842	9150	10143	12841	17823	20388	21273	22480	23902
47	947	2022	3197	4621	5797	6936	7844	9157	10200	12844	17834	20389	21293	22487	23904
52	961	2023	3212	4626	5798	6938	7854	9158	10202	12890	17843	20395	21294	22491	23909
55	962	2031	3213	4650	5799	6940	7869	9160	10206	12891	17961	20397	21296	22493	23913
56	963	2032	3214	4655	5800	6942	7872	9162	10288	12892	17980	20408	21302	22495	23916
57	964	2033	3223	4668	5805	6943	7884	9167	10300	12893	17996	20406	21304	22516	23917
64	979	2037	3242	4669	5806	6946	7900	9178	10355	12906	17997	20409	21307	22545	23969
66	981	2039	3269	4705	5818	6950	7901	9182	10372	12911	18015	20410	21308	22551	23978
67	982	2040	3270	4706	5823	6951	7902	9194	10398	12914	18029	20413	21310	22552	23981
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
735	1813	2922	4323	5668	6694	7610	8788	9886	12197	16351	20170	21092	22301	23649	24912
739	1814	2924	4345	5669	6696	7654	8868	9890	12203	16482	20171	21095	22322	23659	24918
741	1817	2927	4347	5670	6699	7661	8872	9891	12260	16483	20183	21096	22331	23660	24920
742	1821	2928	4351	5672	6700	7667	8890	9896	12265	16491	20186	21105	22339	23661	24921
744	1827	2946	4362	5673	6701	7673	8892	9899	12273	16515	20201	21107	22340	23663	24922
748	1829	2952	4363	5676	6703	7674	8893	9922	12290	16668	20203	21108	22341	23664	24923
749	1838	2964	4367	5684	6741	7676	8901	9925	12312	16735	20212	21109	22342	23670	24927
754	1849	2965	4375	5700	6762	7678	8938	9930	12318	16738	20218	21111	22354	23674	24928
755	1850	2966	4376	5701	6767	7688	8950	9932	12330	16739	20220	21113	22356	23684	24929
757	1851	2967	4397	5702	6771	7689	8951	9934	12332	16771	20247	21114	22369	23712	24930
769	1858	2973	4413	5703	6781	7693	8990	9942	12382	16821	20248	21118	22370	23716	24931
774	1859	2974	4420	5704	6789	7694	8999	9943	12425	16822	20249	21119	22371	23734	24939
787	1863	3004	4421	5708	6836	7701	9000	9950	12426	16834	20253	21125	22374	23739	24944
790	1875	3011	4431	5719	6841	7702	9003	9960	12427	17058	20272	21128	22376	23742	24945
791	1894	3023	4442	5738	6844	7709	9049	9978	12439	17069	20315	21133	22384	23744	24947
794	1896	3031	4443	5739	6846	7710	9059	9979	12485	17238	20320	21135	22402	23745	24963
816	1897	3032	4465	5745	6854	7756	9064	9983	12524	17437	20322	21142	22404	23747	24964
818	1910	3043	4466	5749	6876	7758	9077	9985	12525	17438	20323	21186	22407	23749	24965
826	1915	3047	4486	5754	6901	7760	9078	9991	12526	17492	20326	21187	22413	23761	24983
841	1925	3060	4505	5760	6904	7767	9099	10001	12565	17501	20330	21198	22429	23787	24984
869	1939	3062	4517	5771	6906	7768	9105	10013	12646	17512	20348	21199	22436	23792	24988
873	2000	3072	4530	5773	6913	7778	9109	10014	12649	17567	20353	21219	22438	23804	24999
877	2003	3073	4579	5774	6918	7785	9122	10028	12654	17568	20355	21223	22440	23814	25000

The Debentures specified above are to be redeemed for the said sinking fund at the office of the Trustee, 111 Wall Street, in the Borough of Manhattan, The City of New York, State of New York, the main offices of Citibank in Amsterdam, London, Paris, Frankfurt/Main, Milan or Brussels or at the office of Kredietbank S.A. Luxembourgeoise in Luxembourg, as the Company's paying agents, and will become due and payable on March 1, 1985, at the redemption price of 100 percent of the principal amount thereof plus accrued interest on said principal amount to such date. On and after such date, interest on the said Debentures will cease to accrue.

The said Debentures should be presented and surrendered at the offices set forth in the preceding paragraph on the said date with all interest coupons maturing subsequent to the redemption date. Coupons maturing on March 1, 1985 should be detached and presented for payment in the usual manner.

For CONTINENTAL TELEPHONE INTERNATIONAL FINANCE CORPORATION

By CITIBANK, N.A.,
Trustee

January 22, 1985

NOTICE

TO THE HOLDERS OF

UBK FINANCE BV

KUWAITI DINARS 5,000,000 GUARANTEED

FLOATING RATE NOTES DUE 1990

In accordance with the terms and conditions of the Notes, the Interest Rate for the period from 19th January 1985 to 20th July 1985 (182 days) has been fixed at $9\frac{15}{32}$%.

Interest for the period will be paid on 20th July 1985 at KD 239/187 per coupon.

By

Kuwait International Investment Co. S.A.K.

(Agent)

MINING NEWS

Seltrust fate hangs on institutions

BY JOHN McILWRAITH IN PERTH

TODAY BRINGS the meeting in Perth, Western Australia, to decide the future of the British Petroleum group's 75.3 per cent-owned loss-making Austarlian mining subsidiary, Seltrust Holdings.

Controversial proposals put forward by BP, which has warned that if they are not accepted Seltrust may be put into liquidation, envisage BP taking the remaining shares in Seltrust with its non-gold assets and debts—notably the 06 per cent interest in the Agnew mine and the 5 per cent stake in the Mount Newman iron ore project.

Minority holders in Seltrust are offered shares and options in a new company, Paragon Resources, which would hold the gold interests, including the 75 per cent stake in the promising Temore prospect in New South Wales, plus cash of some A$8m (£5.8m).

Alternatively, the minority holders may settle for 54 cents (about 39p) per share cash. It appears that some of them in the UK have not received the official scheme of arrangement documents, including the proxy voting form for today's meeting.

Whatever the merits, or otherwise, of the Seltrust proposals, BP's reputation as a "good corporate citizen" has been tarnished in the eyes of much of the Australian financial community during the debate leading up to today's meeting. The implied threat to liquidate Seltrust if the proposals are not approved is particularly resented.

However, it is recognised that the prolonged recession in the mining industry and, particularly, depressed nickel prices have severely tried BP's patience as it poured loans into the company to sustain the nickel project.

Shares in Seltrust were offered to the Australian public in 1979 at A$2.50 by Selection Trust, the London mining house which was subsequently taken over by BP.

When it was confirmed that Seltrust would be liquidated if the minority shareholders rejected the restructuring plan BP again came under attack from Australian brokers and financial institutions. Some current and former Seltrust executives have joined in, although discreetly.

Mr John Du Cane, the former chairman, wrote to Sir Peter Walters BP's chairman, particularly condemning the lack of any alternatives to the proposals. However, BP is owed A$84m by Seltrust and this would give it the role of liquidator.

Australian brokers Potts, West, Trumbull point out that only moderate increases in the nickel price could greatly increase the valuation of A$21.8m placed on Agnew by an independent study.

They argue that increases in production and other measures could make the venture profitable even at current nickel prices. It is also pointed out that Agnew is one of the world's biggest sulphide orebodies.

Critics also argue that, to the right buyer, Seltrust's tax-loss benefits would be worth A$60m. BP rejects the criticisms, saying that the face value of the proposed share exchange would be 60 cents and estimates the medium tax allowance value at A$20m.

MIM Holdings, which owns the remaining 40 per cent of Agnew, said in October when the Seltrust plan was revealed that it would stay with its holding in the mine—"we are encouraged by the fact that the company is now operating at a cash break-even position."

Today's meeting should answer several questions which have intrigued the market, in particular concerning the intentions of major institutions which have sufficient votes to reject the resolutions which require a 75 per cent approval by minority holders.

Another question will be the motive of Mr Laurie Connell, a Perth businessman who has bought nearly 5 per cent of Seltrust shares in the past few weeks. Yesterday his office claimed that no decision had been made on how his proxies would be used but it is thought that he may seek a strategic position in the Temora gold prospect.

Seltrust shares were unchanged at 39p in London yesterday.

Battle for Horseshoe gold mine intensifies

THE BATTLE for control of the promising Horseshoe Lights gold mine in Western Australia is intensifying with the news that Black Hill Minerals has lifted its stake in one of the participants, Samantha Exploration, from 17.5 per cent to 19.9 per cent through buying on the market.

This is just below the 20 per cent level at which Black Hill would be forced to make a full bid for the rest of Samantha, and the share markets are expecting an offer this week either from Black Hill or its associate, Eastern Petroleum.

Samantha is already the subject of an offer from Barrack Mines, although that bid is unlikely to find wide acceptance as it places a substantially lower value on Samantha shares than the market price. However, under Australian company law a predator is freed from the 20 per cent restriction once it has made an offer, and may add to its holding through the share markets.

Any offer from Black Hill or Eastern Petroleum would presumably be pitched at a higher level than that from Barrack, although probably still well under the market price, and would similarly be designed mainly to circumvent the 20 per cent limit.

Samantha's main attraction is its 19.1 per cent stake in Horseshoe Lights. This holding effectively represents the balance of power in the gold mine, with Barrack Mines as operator holding 45.15 per cent and Eastern Petroleum 36.5 per cent.

The mine seems to be operating smoothly at present, with 7.652 ounces of gold produced during the December quarter from the treatment of 61.860 tonnes of ore at an average recovered grade of 3.85 grammes of gold to the tonne. Throughout has been stepped up to 1.500 tonnes a day following the commissioning of a carbon-in-pulp plant last October.

Nevertheless, Dr Roy Wise, chairman of Eastern, is unhappy that his company has not received the three seats on the board of Horseshoe Lights Gold, the joint venture company, to which he says it is entitled, and he would also like more information on the mine's operations.

The acquisition of Samantha, giving Eastern a clear majority of the joint venture, would be the best means of attaining these objectives.

* * *

Canada's Echo Bay Mines has filed a preliminary prospectus for the sale to the public of approximately 3.6m shares. Proceeds will be used to finance part of the $55m cost of acquiring the Louisiana Land and Exploration subsidiary, Copper Range, which holds a 50 per cent interest in the Round Mountain gold mining project in Nevada.

Rustenburg surges 86% and sees further growth

BY KENNETH MARSTON, MINING EDITOR

SOUTH AFRICA'S Rustenburg Platinum Holdings has boosted its first-half net profits by 86 per cent to R59.5m (£23m), or 47.5 cents a share, from R32m a year ago.

Furthermore, the big producer of platinum expects a "substantial" increase in second-half earnings over those of a year ago (R68.1m), although probably not as great an increase as that now reported for the first six months to end-December, 1984.

For the 1983-84 year the group raised its net profits by 32 per cent to R100.1m.

The interim dividend for the current year is being doubled to 35 cents (13.5p) "in the light of the current outlook and the company's sound financial position and in order to reduce the disparity between interim and final dividends." The previous year's final was 42.5 cents.

As with the South African gold producers, Rustenburg received lower U.S. dollar prices for its platinum, palladium, gold and nickel during the half-year, but the weakness of the South African currency boosted earnings in terms of rands. At the same time demand for platinum continued to improve and sales of the metal together with those of palladium, nickel and copper also increased. Presumably, the company is confident that this trend will continue in the current half. What remains to be seen, of course, is just how well the improvement in sales will be maintained in the second half and beyond and whether there will be any change in the important rand-dollar relationship. Despite the dividend qualification a higher total payment is on the cards for the full year. However, the shares at 655p may be discounting a fair amount of this—the yield on the previous year's total dividend is under 4 per cent—and may be high enough for those who feel that the discrepancy between the rand and the dollar is nearing its widest point.

Gold price forces another Canadian mine closure

THE weak gold price has forced Teck Corporation of Vancouver to close its Lamaque mine in Quebec, bringing to five the number of Canadian gold producers known to have suspended production in recent months, writes Bernard Simon in Toronto.

Lamaque has suffered operating losses of about C$1.5m in the past six months. Besides the lower gold price, the mines' ore body has dwindled to the point where is has provided only half of the mill throughput of 1,700 to 2,000 tonnes of ore a month.

The rest was supplied under a cutsom milling agreement with a mine owned by Kiena Gold Mines, which was recently terminated.

According to a Teck official, the Lamaque mine will not re-open unless the gold price rises to $350-$400 an ounce.

Exchange rates have not cushioned Canadian mines against the falling gold price to the same extent as South African producers. The Canadian dollar has dropped by about 6 per cent in the past year against the U.S. currency.

On the other hand, the average production cost of Canada's 30 gold mines is around U.S.$250 an ounce. Several have managed to lower unit costs and raise earnings by increasing production. Statistics Canada reported last week that while the value of Canada's gold output dipped by 0.2 per cent last year, volumes rose by almost 11 per cent.

Several mines have sold a substantial part of their output forward to protect themselves against the decline in spot prices.

* * *

A total of 46.52m tonnes of ore was milled last year at the Rio Tinto Zinc group's Bougainville open-pit mine in Papua New Guinea.

This compared with 47.73m tonnes in 1983 and coupled with the declining grades it resulted in a fall in the metal content of the concentrates produced.

Totals were: copper 164,447 tonnes (183,191 tonnes), gold 15,673 kg (18,002 kg) and silver 44,400 kg (47,414 kg).

* * *

High grade gold values are reported from latest drilling at Brunswick Oil's Galtee More open-pit gold prospect in Western Australia. The average grade for the proposed A$5-A$7m operation is expected to be 7g to 8g gold per tonne.

A final feasibility study is expected to be completed next month and it is hoped to start construction work in June with the first gold pour taking place before Christmas.

Rustenburg Platinum Holdings Limited

(Incorporated in the Republic of South Africa)

Consolidated Interim Report

for the six months ended 31 December 1984

INTERIM RESULTS (UNAUDITED)	Six Months to 31/12/84 Rm	Six Months to 31/12/83 Rm	Twelve Months to 30/6/84 Rm
Gross sales revenue	466.4	367.2	807.3
Commissions and discounts	29.0	23.7	50.7
Net sales revenue	437.4	343.5	756.6
Cost of sales	297.8	259.1	546.3
On-mine costs	231.3	179.8	372.0
Treatment and refining	47.5	54.8	96.0
Off-mine costs	15.9	13.1	35.6
Decrease in stock	3.1	11.4	42.7
Profit on metal sales	139.6	84.4	210.3
Other income	18.8	6.8	23.1
Profit before provisions	158.4	91.2	233.4
Provisions for renewals and replacements	32.7	17.1	36.9
Profit before taxation	125.7	74.1	196.5
Tax and lease	64.2	8.6	59.4
Tax normalisation	2.0	33.5	37.0
Profit after taxation	59.5	32.0	100.1
Dividends	43.9	21.9	75.2
Transfer to reserves	15.6	10.1	24.9
Earnings per share (cents)	47.5	25.5	79.9
Dividend per share (cents)	35.0	17.5	60.0
Dividend cover	1.4	1.5	1.3

NOTES

1. The above results are presented on the FIFO basis of stock valuation. The results for the six months ended 31 December 1983 have thus been restated from the LIFO convention that was in use when they were first published in January 1984.
2. During the current reporting period, demand for platinum continued to improve, though the dollar price achieved, as well as the dollar prices for palladium, gold and nickel, were lower than during the corresponding period of the 1984 financial year. However, due to the decline in the value of the rand against the dollar, the rand prices for all metals sold were higher. The sales volumes of platinum, palladium, nickel and copper also increased.
3. Profit before provisions increased by 74% to R158.4 million from the R91.2 million achieved in the corresponding period of the 1984 financial year. Profit after taxation increased by 86% to R59.5 million.
4. It seems likely that, in the absence of unforeseen circumstances, profits in the second half of the current financial year will also show a substantial increase over those earned in the six months to 30 June 1984, though probably not as great an improvement as that reported in note 3 above.
5. In the light of the current outlook and the Company's sound financial position, and in order to reduce the disparity between the interim and final dividends, the directors have decided to increase the interim dividend to 35 cents per share (17½ cents per share in 1984).
6. Capital expenditure for the six-month period amounted to R34.1 million (R9.1 million in the six months ended 31 December 1983) of which R30.7 million (R7.8 million in the six months ended 31 December 1983) was charged to the renewals and replacements reserve as on-going capital expenditure.

For and on behalf of the Board
G H Waddell } *Directors*
K W Maxwell

DECLARATION OF DIVIDEND

Dividend No. 62 of 35 cents per share, South African currency, has been declared payable to members registered in the books of the Company at the close of business on 8 February 1985. The conditions of payment, which can be obtained from the Company's Head Office or from the London Secretaries, provide inter alia that the dividend shall be converted to the United Kingdom currency at the rate of exchange quoted by the Company's Bankers on 25 February 1985. South African Non-Resident Shareholders' Tax at the rate of 15% and United Kingdom Income Tax will be deducted where applicable. The register of Members will be closed from 9 February 1985 to 16 February 1985 both days inclusive. Dividend warrants will be posted on 7 March 1985 and will be payable on 8 March 1985.

By order of the Board
JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED
Secretaries Per: M P ASKEW

Head Office and Registered Office,
Consolidated Building, Corner Fox and Harrison Streets,
P.O. Box 590, Johannesburg, 2000.

London Secretaries,
Barnato Brothers Ltd, 99 Bishopsgate, London EC2M 3XE.

21 January 1985

Copies of this interim report can be obtained from the London Secretaries

COMMERCIAL LAW REPORTS

Writ properly served at London office of foreign bank

SOUTH INDIA SHIPPING CORPORATION LTD v THE IMPORT-EXPORT BANK OF KOREA
Court of Appeal (Lord Justice Ackner, Lord Justice Browne-Wilkinson and Sir George Waller): January 18 1985

A FOREIGN company's representative office in Great Britain is a "place of business" at which it can be served with a writ if it conducts business activities from there which are ancillary to its main activity.

The Court of Appeal so held when allowing an appeal by South India Shipping Corporation Ltd from Mr Justice Leggatt's decision that the writ in its action against the Import-Export Bank of Korea had not been properly served.

* * *

Section 406 of the Companies Act 1948 provides: "The . . . following sections . . . shall apply to all overseas companies . . . which . . . establish a place of business in Great Britain . . ."

Section 412: "Any process . . . to be served on an overseas company shall be sufficiently served if addressed to any person whose name has been delivered to the Registrar . . . Provided that (a) where any company makes default in delivering to the Registrar the name and address of a person . . . authorised to accept on its behalf . . . a document may be served on the company by leaving it at or sending it by post to any place of business established by the company in Great Britain."

* * *

LORD JUSTICE ACKNER said that South India Shipping claimed $13m allegedly due from the bank under two letters of guarantee.

Although the bank conducted its main business in Korea, it rented office accommodation in London. The writ in the action was sent by post to the London office, where it was physically received by the bank's representative.

On May 11 1984 Mr Justice Leggatt made a declaration that the writ had not been duly served.

South India Shipping, which considered that the bank had defaulted in registering a person to accept service on its behalf under section 412 of the Companies Act 1948, submitted that it had established a "place of business" within section 406, and that service was good.

Affidavit evidence for the bank stated that its functions in London were the gathering of information, consultation with other banks, and conducting surveys and liaison activities. It was asserted that the office did not conclude "business" within the jurisdiction.

The *Hercules* [1912] 1 KB 222, to which Mr Justice Leggatt's attention was not drawn, gave consideration to the extent of business which had to be carried on to establish a sufficient presence within the jurisdiction.

In that case the defendant was a Canadian company incorporated for the purpose of constructing and working a railway in Canada. Four of its directors resided in Great Britain and formed a London committee which dealt with the issue of loan capital to be used for the construction of the railway.

The committee met at the London office of another company, and paid no rent. No business other than the raising of loan capital was transacted by the committee.

The Court of Appeal held that the defendant was carrying on its business at the office and could properly be served there with a writ.

Lord Justice Buckley said "the best test is to ascertain whether the business is carried on here and at a defined place. In the present case the company has a paramount and also a subsidiary object. Its paramount object is to make and run a railway in Canada; it has a subsidiary object, namely the raising of money to carry on its paramount object. The raising of this loan capital is part of the company's business, and is done here."

*

Mr Chambers, for the bank, conceded that it was carrying on a business activity at its London office. It had not only entered into a lease, thereby creating contractual obligations, but it also employed staff and probably entered into other contractual obligations.

The main object of the legislation was to take away any difficulty in the service of a writ on foreign corporations carrying on business in Great Britain and, in effect, to place a foreign corporation for that purpose, on the same footing as an English company.

Parliament had placed no express qualification or limitation of the words "a place of business," and there seemed no good reason why one should be implied.

If, as Mr Chambers submitted, the foreign company did not establish a place of business unless the activity constituted a substantial part of, and was not incidental to, its main objects, that would inevitably involve a large area of uncertainty facing not only the plaintiff who wished to sue, but also the company which wished to know whether it was affected by the statutory provisions.

*

The facts in the present appeal were clear. The bank was an import-export bank, not a high street bank. It had premises and staff within the jurisdiction. It conducted external relations with other banks and financial institutions. It carried out preliminary work in relation to granting or obtaining loans. It sought to give itself publicity and to encourage trade between Korea and the UK, and it consulted other banks and financial institutions on the usual operating matters.

It had therefore established a place of business within Great Britain. It was immaterial that it did not conclude banking transactions within the jurisdiction or have banking dealings with the general public as opposed to other banks or financial institutions.

Accordingly, the appeal should be allowed.

Lord Justice Browne-Wilkinson and Sir George Waller agreed.

*

For South India Shipping: Jeremy Cooke (Richard Butler & Co).

For the bank: Nicholas Chambers (Sinclair, Roche & Temperley).

By Rachel Davies
Barrister

CONTRACTS

Norwest Holst Construction wins £1.4m store contract

NORWEST HOLST CONSTRUCTION has started work on a £1.4m contract as subcontractor to Bovis Construction for the sub-structure, reinforced concrete basement car park and external works to Hillards Store in Scarborough. Work includes mass excavation of over 20,000 cu metres of earthworks and subsequent filling of new levels, construction of reinforced concrete retaining walls, column foundations, ground slabs and suspended floors to the superstore and basement parking for 98 cars. Service yard and warehouse comprise concrete retaining walls, column foundations and ground slabs. Completion is due in September.

Norwest Holst has begun work on contracts worth £600,000 for British Rail in Paisley and Saltcoats. In Paisley, the company is building a fully-serviced signal box comprising three linked single-storey buildings. The new facilities adjoin the existing signal box which is to remain in use until the new box is in operation. Work is alongside a live railway line. An overbridge is being reconstructed at Caledonia Road, Saltcoats. Work includes provision of a temporary footbridge and a temporary service crossing for public utilities.

Norwest Holst Civil Engineering, southern region, has begun work on a £500,000 contract to construct a strategic special waste incineration plant at Edmonton, North London. Work comprises construction of a steel framed structure with profiled cladding. The contract was awarded by the Greater London Council and is due for completion in May 1985.

*

CONDER STRUCTURES OVERSEAS, Burton-on-Trent, part of the Conder Group, has won a £2m order to supply 3,200 tonnes of steelwork to the Wimpey-Taylor Woodrow South Atlantic joint venture, contractors to the Property Services Agency, on the Falklands. The steelwork, which is specially galvanised to withstand the South Atlantic weather, will be used to erect 91 portal framed buildings at the Mount Pleasant Airfield near Port Stanley.

*

WALTER LAWRENCE & SON is building a detached teaching block, vehicle maintenance workshop and music suite extension on behalf of the Surrey County Council at Waynefiete School, Esher, at a cost of £700,000. In addition, Walter Lawrence will remodel most of the two-storey school building opposite Sandown Park Racecourse. Work will be completed by September.

*

PHILIPS BUSINESS SYSTEMS has landed a contract with the Inland Revenue for its software development system Maestro. Three systems worth over £400,000, comprising mini-computer hardware, software and terminals, are being installed at the Inland Revenue's Telford computer centre.

*

The Ministry of Defence has awarded a contract worth over £600,000 to THORN EMI SIMTEC for production quantities of its portable explosives detector. The high sensitivity of the equipment enables it to detect the presence of minute concentrations of nitroglycerine and nitrobenzene-based explosives. It is so sensitive that it can detect residual explosives vapours, for example in a vehicle, even after the explosives have been removed. The equipment is also selective in the vapours to which it is programmed to respond. This means in practice that it will not alarm to non-explosive vapours which may be present.

*

A contract for a vehicle test system worth £380,000 has been awarded by the research facilitiy of the Chinese Petroleum Corporation, Taiwan, Republic of China, to the control gear division of BUSH ELECTRICAL MACHINES a Hawker Siddeley company. The system will incorporate a 150 kW controlled chassis dynamometer with mechanical / electrical inertia simulation, together with robot drive cycle controller. An in-vehicle road data acquisition system is also incorporated, enabling accurate reproduction in the laboratory of road recorded test data. The equipment will be shipped to Taiwan during August 1985 with comissioning expected before the end of the year.

*

A £2m contract from the Ministry of Defence (Procurement Executive) for a range safety command, and communications system at the Royal Navy's gunnery range, HMS Cambridge, Plymouth, has been won by RACAL-SMS. The Range Safety Target Control and Weapons Direction/Blind Fire Safety Systems (RSCWDS) will be operational by the end of 1985, providing command, control and communications between surface units and aircraft using the gunnery range. It wil lenhance usage of the range, as well as centralising the overall safety functions. Facilities include target control, blind fire safety and weapons direction. It also assists visual safety, records firing exercises and allows blind fire safety training.

*

PYRAMID TECHNOLOGY has won its first UK order for a computer system, worth £150,000, from the software engineering company Imperial Software Technology (IST). Part owned by Imperial College, NatWest, Plessey and Pactel, IST is one of the UK's leading organisations engaged in researching better ways of creating software. The computer system is being installed in its South Kensington headquarters, where among other things it will be used in developing for British Telecom the first usable Integrated Project Support Environment (IPSE) to be made commercially available. This £5m project, will produce an environment for supporting a software project throughout its entire life, from requirements analysis and specification to operational support and maintenance. Intended to become the standard for developing telephone switching and other complex software, it will also be available to other software producers by the middle of 1986.

*

OFFSHORE MARINE ENGINEERING, Walsall, has gained a contract for a system that can be used to evacuate deep sea divers from the diving support vessel "Tender Tartan." The system, worth over £500,000 consists of a Phoenix self-propelled hyperbaric lifeboat, launching equipment, a transfer pot and escape trunk together with various modifications to the existing OME/AQUA diving system. The Phoenix lifeboat will be used as a four-man routine diver decompression unit. In the event of an emergency aboard the diving vessel the lifeboat would be used to evacuate the full 10-man team from the saturation diving system. The Phoenix contains its own life support equipment that will maintain the divers under pressure for up to five days. The modified diving system will consist of the three-man diving bell, the six-man decompression chamber and the existing rescue vessel converted into a four-man decompression chamber.

Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers

27/28 Lovat Lane London EC3R 8EB — Telephone 01-621 1212

Over-the-Counter Market

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
142	123	Ass. Brit. Ind. Ord.	142	—	6.8	4.8	7.9	9.4
149	135	Ass. Brit. Ind. CULS	149	—	10.0	6.7	—	—
77	51	Airsprung Group	51	—	6.4	12.5	5.6	8.7
42	26	Armitage & Rhodes	42	—	2.9	6.9	5.2	8.7
135	108	Bardon Hill	134	—	3.4	2.5	13.5	22.5
58	42	Bray Technologies	49	+ 1	3.5	7.1	5.7	8.1
201	173	CCL Ordinary	173	—	12.0	6.9	—	—
152	114	CCL 11pc Conv. Pref.	114	—	15.7	13.8	—	—
810	100	Carborundum Ord.	810	—	5.7	0.7	—	—
86	84	Carborundum 7.5pc Pf.	86	—	10.7	12.4	—	—
103	57	Cindico Group	57	− 3	—	—	—	—
73	61	Deborah Services	63	—	6.5	10.2	6.0	9.7
254	182	Frank Horsell	254	—	—	—	10.2	13.4
220	170	Frank Horsell Pr.Ord.87	220xd	—	9.8	4.4	8.8	11.6
31	25	Frederick Parker	30	—	4.3	14.3	—	—
60	33	George Blair	60	+ 1	—	—	3.4	6.7
50	27	Ind. Precision Castings	27	—	2.7	10.0	7.4	8.0
218	191	Isis Group	191	—	15.0	7.9	7.7	13.7
124	105	Jackson Group	107	—	4.9	4.6	5.0	9.6
285	213	James Burrough	275	—	13.7	5.0	9.8	9.8
93	83	James Burrough 9pc Pf.	92	—	12.9	14.0	—	—
86	71	John Howard and Co.	84	—	5.0	6.0	8.6	12.2
147	100	Linguaphone Ord.	147	—	—	—	—	—
100	93	Linguaphone 10.5pc Pf.	95	—	15.0	15.8	—	—
602	300	Minihouse Holding NV	602	+ 2	3.8	0.6	43.3	47.4
120	31	Robert Jenkins	32	—	5.0	15.6	—	—
60	28	Scruttons "A"	28	—	5.7	20.4	14.7	9.4
92	81	Torday & Carlisle	84	—	—	—	9.0	18.0
444	370	Trevian Holdings	370	—	4.3	1.2	21.0	20.7
27	17	Unilock Holdings	25	—	1.3	5.2	12.1	17.5
97	81	Walter Alexander	97	+ 2	7.5	7.7	9.6	11.7
247	225	W. S. Yeates	225	—	17.4	7.7	6.4	10.8

Prices and details of services now available on Prestel, page 48146

BASE LENDING RATES

A.B.N. Bank	12 %	C. Hoare & Co.	†12 %
Allied Irish Bank	12 %	Hong Kong & Shanghai	12 %
Amro Bank	12 %	Johnson Matthey Bkrs.	12 %
Henry Ansbacher	12 %	Knowsley & Co. Ltd.	12½%
Armco Trust Ltd.	12½%	Lloyds Bank	12 %
Associates Cap. Corp.	12 %	Mallinhall Limited	10 %
Banco de Bilbao	12 %	Edward Manson & Co.	13 %
Bank Hapoalim	12 %	Meghraj and Sons Ltd.	12 %
BCCI	12 %	Midland Bank	12 %
Bank of Ireland	12 %	■ Morgan Grenfell	12 %
Bank of Cyprus	12 %	Mount Credit Corp. Ltd.	12 %
Bank of India	12 %	National Bk. of Kuwait	12 %
Bank of Scotland	12 %	National Girobank	12 %
Banque Belge Ltd.	12 %	National Westminster	12 %
Barclays Bank	12 %	Norwich Gen. Tst.	12 %
Beneficial Trust Ltd.	13 %	People's Tst. & Sv. Ltd.	13 %
Brit. Bank of Mid. East	12 %	Provincial Trust Ltd.	12½%
■ Brown Shipley	12 %	R. Raphael & Sons	12 %
CL Bank Nederland	12 %	P. S. Refson	12 %
Canada Perm'nt Trust	12 %	Roxburghe Guarantee	12½%
Cayzer Ltd.	12 %	Royal Bank of Scotland	12 %
Cedar Holdings	11 %	Royal Trust Co. Canada	12 %
■ Charterhouse Japhet	12 %	■ J. Henry Schroder Wagg	12 %
Choulartons**		Standard Chartered	‖12 %
Citibank NA	12 %	Trade Dev. Bank	12 %
Citibank Savings	§10¾%	TCB	12 %
Clydesdale Bank	12 %	Trustee Savings Bank	12 %
C. E. Coates & Co. Ltd.	12½%	United Bank of Kuwait	12 %
Comm. Bk. N. East	12 %	United Mizrahi Bank	12 %
Consolidated Credits	12 %	Westpac Banking Corp.	12 %
Co-operative Bank	*12 %	Whiteaway Laidlaw	12½%
The Cyprus Popular Bk.	12 %	Williams & Glyn's	12 %
Dunbar & Co. Ltd.	12 %	Wintrust Secs. Ltd.	12 %
Duncan Lawrie	12 %	Yorkshire Bank	12 %
E. T. Trust	12½%		
Exeter Trust Ltd.	12½%		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	11 %		
■ Robert Fleming & Co.	12 %		
Robert Fraser & Ptns.	12½%		
Grindlays Bank	‡12 %		
■ Guinness Mahon	12 %		
■ Hambros Bank	12 %		
Heritable & Gen. Trust	12 %		
■ Hill Samuel	§12 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.75%, 1 month 9.50%. Fixed rate 12 months £2,500 8.75% £10,000 12 months 9.00%.
† 7-day deposits on sums of under £10,000 8¼%, £10,000 up to £50,000 9¼%, £50,000 and over 10¼%.
‡ Call deposits £1,000 and over 8¼%.
‖ 21-day deposits over £1,000 10%.
¶ Mortgage base rate.
§ Demand deposits 8¼%.
** See Provincial Trust Ltd.

TECHNOLOGY

EDITED BY ALAN CANE

INSTITUTE TACKLES PROBLEMS USING ARTIFICIAL INTELLIGENCE

Electronic clues to electrical faults

BY PETER MARSH

THE Central Electricity Generating Board is attempting to find a computer-aided technique with which engineers can diagnose faults in electricity networks.

The Glasgow-based Turing Institute, a recently established research centre in information technology, is working on behalf of the board on expert systems to diagnose these kind of failures. *The institute aims* to act as a bridge between research workers and application-orientated engineers in industry.

An expert system is a set of computer software that contains the knowledge of a person skilled in a particular discipline. With such equipment, a relatively low-skilled man or woman would be able to call *upon this expertise to solve a* particular problem.

In fault diagnosis in the electricity industry, for example, an electrician would enter details of the failure into a computer via a keyboard. The machine would produce general hints as to what might be wrong and ask the electrician specific questions. If all went to plan, the electricity worker would eventually arrive at the answer.

The CEGB contract is one of a number obtained by the institute, set up nearly two years ago. It moved into premises in Glasgow in September. The value of the organisation's research contracts *is* about £500,000 over the next three years.

Professor Donald Michie, formerly of Edinburgh University, is one of the leading lights behind the organisation. Prof Michie left his post as head of the machine intelligence research unit there to become executive director of the centre.

The institute is affiliated with the *University of Strathclyde*—the staff of a dozen can use university facilities such as libararies. The Scottish Development Agency has given the institute a five-year grant to fund much of its work.

Other cash comes from a scheme under which companies pay the Turing organisation £20,000 a year for specific services. These include training schemes, seminars and access to computer facilities. Companies in this scheme include Texas Instruments, Westinghouse, ICL, Sinclair Research, Thorn EMI and Shell.

Areas of work in which the centre seeks to specialise include:

● Expert systems. Besides working for the CEGB, the institute has a grant under the Department of Trade and Industry's Alvey programme in advanced computing to develop such equipment. In a joint programme with Imperial College in London, the Turing Institute is offering facilities to engineers *from industry* who want to work on these systems. Burroughs, ICL and British Rail are *among* the industrial organisations involved.

Burroughs wants to develop expertise in diagnosis of faults in software. Staff at the institute are also working on an expert system to help biologists to obtain information from archieves of literature in the area of biotechnology. This programme is funded by the European Community's ESPRIT advanced-technology project.

● Computer vision. Work in this area could provide techniques that enable industrial robots to see their surroundings. Westinghouse, which owns the Unimation robot company, is particularly interested in this area.

● Machine *learning*. In this work, a person using a computer would try to instil some of his or her knowledge into the machine. In this way, the hardware would, for instance, *check some of* the information that the person provides to ensure it is free from errors. With such a technique, computer wokers may be able to obtain a more efficient way to write new software.

MILESTONE IN DEVELOPMENT OF VIEWDATA SYSTEMS

Sumitomo to develop Kanji based videotex

BY GEOFFREY CHARLISH

WHATEVER VIEW one might take of the future of videotex as a data communications system, the fact that *Disc* International has just sold rights to its View base software to Japanese giant Sumitomo, must surely be something of a milestone.

Videotex (previously called Viewdata in the UK) is a means of communicating and displaying data on ordinary television sets and has its roots in Prestel, the public information system run by British Telecom. It uses the public switched telephone network. Other versions were later developed in such countries as France, Canada and the U.S.

Disc refuses to say what the deal was worth, but believes it opens up "multi-million dollar" business opportunities in Japan.

Sumitomo, in collaboration with its associate company Tau Engineering, will develop a Japanese version of the software using the Kanji character set. It will market this version of Viewbase to both end-users and computer companies in Japan.

Disc has only been in existence for a year. It is owned by a consortium of the company's own management, the original parent Debenhams, British Home Stores, and the U.S. management consultancy Imtec. First-year turnover is expected to exceed £1m.

The Japanese systems will support the U.S. AT&T videotex standard NAPLPS, (North American Presentation Level Protocol Syntax). This has high definition graphics and is well suited to displaying Kanji characters.

Viewbase uses Pick, a powerful operating system for faster microcomputers and minis. Tau Engineering has produced the first Japanese mini to run on Pick, the SNS 210, and the Japanese version of Viewbase will also negotiate with other Pick system manufacturers interested in marketing Viewbase in Japan. An early collaborator is expected to be Prime Computer.

Mr David O'Malley, managing director of Disc, believes there is a sound future for videotex-based business systems because user terminals can be installed for as little as £1,500. He claims there was for example, *no other affordable way to equip* 1,500 Host (previously Chef and Brewer) establishments with stock/financial reporting terminals.

David O'Malley: sound future

He also believes that "people will run a mile from a VDU but will feel at home with their TV set." Furthermore, systems can be set up in weeks rather than months, and the standard protocol used implies easy access to other databases. "The network is there waiting," says O'Malley. "All you need is a modem."

Currently Viewbase is available on Microdata, Ultimate Computer (DEC), Honeywell, ADDS Mentor, General Automation, Prime, IBM series 1 and 4300, and Aston Technology Crystal minicomputers. Disc International markets Viewbase mainly through existing dealership networks into such market areas as brewing, insurance and manufacturing.

In the retail area, Viewbase can provide management with access to main office information at their homes or in distant stores. It can also be used for electronic mail, stock location and ordering, teleshopping and credit inquiries.

Images and imaging: a vast range of processes

Video & Film

BY JOHN CHITTOCK

IN THE last two weeks viewers of British television have witnessed one of the most dramatic uses of audio-visual media as a working tool — London Fire Brigade's rescue of a woman buried under the rubble of the Putney gas explosion, her presence detected by a thermal image camera. Television news *coverage of this extraordinary* rescue also showed one glimpse of a fireman using a conventional video camera.

Every fire station in London is now, in fact, equipped with video cameras and portable recorders — and for the ultimate in portability, some use is now being made of the VHS-C camcorder. Conventional video recordings of incidents are now *standard procedure* at large fires. These recordings are used for analysis and debriefing, *legal* evidence, training, *fire* prevention work and even PR.

The thermal image camera is just one of many developments in which camera technology makes the invisible visible — in this instance, as a video image of infra-red radiation rather than light.

Less dramatic but of scientific importance, was another example of infra-red analysis which came before the adjudicators of the Kodak Bursaries—which annually help to finance photographic, cine and video projects. Mr Christopher Brooks, an archaeologist and photographer, has been experimenting with various established camera techniques to re-apply them to archaeological investigations.

One such technique is infra-red photography of timber in old churches. In attempting to date buildings, archaeologists can use a dendro-chronological (tree ring) count of timber in the building; this can help to accurately pin-point dates of construction. But even where timber ends are visible, they normally need polishing to reveal the rings — a difficult task to accomplish *in situ*. Mr Brooks' work has instead used infra-red photography which reveals the grain without preparation.

The Kodak Bursaries from time to time throw up all manner of interesting projects where old ideas find new applications. Mr Mike Ware, another Bursary winner, has revived some non-silver photographic printing processes—such as the platinotype—to *reveal* not only the extraordinary beauty and texture of these historical methods, but also to remind us of their value in archival work. Platinum is chemically inert and, unlike silver in gelatine, will not fade or age.

With the arrival on my desk last week of a press release *from* Fuji, *heralding* the world's fastest negative colour motion picture film, I was *reminded* just *how* extraordinary is the range of image-making processes now available. The Fuji claim *is* not good news for Kodak, which has dominated the motion picture and photographic emulsion business for nigh on 100 years. Some film-makers and photographers are, in fact, claiming that Fuji colour materials are yielding better quality results than those of Kodak.

It is partly a subjective judgment. But in my quest to follow this up further, I still bow in respect to Kodak for the *extraordinary documentation* it produces on the whole business of film stocks and emulsions. For definitive information on the behaviour and characteristics of motion picture and still films, Kodak has unrivalled publications and data sheets. Access to such information is important because some emulsions are characterised by high sensitivity to light, others by grain size or resolving power, spectral responses, contrast behaviour and so on. Yet others by colour permanence, dimensional stability (for photogrammetric work), even freedom from reciprocity failure.

Reciprocity failure? A phenomenon known to not all photographers but in which emulsions do not always behave with consistent sensitivity to equivalent apertures / shutter speed combinations — viz, longer exposure times with smaller apertures do not always behave as they should.

The searcher for knowledge in Kodak literature will also find an explanation for the for the mysteriously-named Morning Glory effect. Why does the pure blue of Morning Glory (and ageratum) flowers always reproduce poorly? Answer—high petal reflectance of infra-red, invisible to the human eye but not to photographic emulsions.

Colour alone is such a profound subject, even in television processes, that the Independent Broadcasting Authority, IBA, has just devoted one of its regular technical review publications *(No 22) to Light and Colour Principles*. In electronic image reproduction—which is less burdened with the infidelities of photo-chemical processes—there are still problems; such as making the red, green, blue phosphors on a television tube compatible with a variety of conflicting needs (e.g. brightness, spectral coverage, linearity in response).

The well of profundity goes even deeper. Literature from Ilford revealed a few facts that corrected my impression that this once wholly British company was now out of the motion picture film business. It still makes black-and-white film for high speed cine cameras (which need fast emulsions, strong perforations and good resolution)

Last week, Panasonic unveiled its own video answer to those seeking long running times, a camcorder using standard length VHS cassettes instead of the more compact VHS-C, which yields only 30 minutes per cassette and requires a cassette adaptor for replay in a VCR.

There is a principle somewhere running through this survey. It reassuringly says that every new development in image recording processes does not necessarily replace existing ones. That the needs of image recording processes are so considerable, that tailor-made materials for specific jobs can survive and proliferate.

For Kodak, Ilford, Agfa-Gevaert and others, it could mean that there is a future for them all. That is, so long as they each corner their own specialised parts of the market and do not wish electronics away—as indeed most, if not all, now recognise.

Computers

Unix-based supermicro

PERKIN-Elmer has launched a super-micro which is based on the Unix operating system. Aimed at original equipment manufacturers, the computer can be operated by up to five users.

Also in the pipeline are extensions to the company's 3200 range of superminicomputers.

More details from the company in Slough, Berks on 0753 34511.

Materials

State tests for private sector

THE LABORATORY of the Government Chemist is opening its materials testing facilities to the private sector. The laboratory offers six basic testing techniques including mechanical, thermal and chemical analysis for investigating the properties of polymers, ceramics, metal coatings, rubbers, cements and dental materials. More details from the laboratory in London on 01-928 7900.

Semiconductors

Hitachi's big store

HITACHI OF Japan has introduced two new 256K dynamic read and write memory chips organised as 64K by 4 bits.

This organisation makes it possible to build physically small memory boards for computer terminals or microcomputers and is suited to video RAM applications. One offers page mode addressing, the other nibble mode. More on 01-861 1414.

APPOINTMENTS

Senior IMI executive post

Mr G. J. Allen has been appointed as assistant managing director of IMI from February 1. He joined IMI in 1965 as an accountancy trainee. He is currently responsible for the Kynoch Fabrication Group (which includes Eley and IMI Components), Holford Developments, the IMI personnel functio n and IMI's zip fastener interests.

★

OILFAB ha sapointed Mr Bill Lawrie as a director of the group's project services division. Mr Lawrie will assist Mr Tom Baker, group director project services, with the technical development and promotion of the division.

★

Lord Bellwin has been appointed a *non-executive* director of LONDON AND CONTINENTAL ADERTISING (HOLDINGS). Lord Bellwin was a Minister at the Department of the Environment from May 1979 until September 1984, being Minister of State for Local Government from January 1983 until his retirement from office last September.

★

Mr Robin Hoyer Millar, deputy chairman of Barclays Bank Trust, has been appointed also a director of BARCLAYS BANK UK.

★

THE BRITISH LINEN BANK has made the following appointments: Ian C. Rattray is an assistant director; Mr Rattray was and continues to be a director of the bank's wholly-owned subsidiary, British Linen Fund Managers. Mr James L. Hogg, manager, accounts and administration department, becomes chief accountant. Mr J. Ewan Jeffrey, a manager of the bank's wholly owned subsidiary, British Linen Fund Managers and Mr Edward D. Murray, a manager of the bank's corporate finance department.

★

Mr Peter Pike has been appointed director of private systems for THORN ERICSSON TELECOMMUNICATIONS, a new position created to oversee expansion in business communications. He was previously seven years with STC, most recently as business development manager for military fibre optic and microwave systems.

★

Mr Harry Chadwick, general manager of BRISTOL & WEST BUILDING SOCIETY, is retiring from the Society in April. Mr Robert Linden, formerly the Society's chief Scottish executive, has been appointed deputy general manager with a view to succeeding Mr Chadwick upon his retirement.

★

Mr G. Bryan Skelston has been appointed chairman of the NORTHERN FOODS MEAT GROUP. He has spent over 25 years in food industry management more recently as managing director of the Pork Farms Group which became part of Northern Foods in 1978. On Mr Skelston's appointment as chairman, Mr John Dicks becomes managing director.

★

FRENCH KIER HOLDINGS has made the following changes to the directorate of its subsidiary, William Moss Group: Mr C. A. Frettsome and Mr J. R. F. Raw, both of whom are directors of French Kier Holdings, have become directors. Mr Frettsome has become *chairman* of the William Moss Group in succession to Mr A. J. Bower who *remains* chief executive of that company. Mr Bower also remains chairman of William Moss Construction. Mr P. C. Hyde-Thomson has resigned from the group.

★

Top post at Weir Group

Mr W. A. McLean has been appointed managing director of WEIR ENGINEERING SERVICES, a new organisation formed to co-ordinate the operations carried out by the service centres of Weir Pumps and of a number of overseas companies. He will continue as a director of their Weir Group with responsibility for personnel. Mr Peter Syme has been appointed managing director of Weir Pumps. He has been assistant managing director since May 1983.

★

NESTOR MEDICAL SERVICES has appointed the following: Mr Mike Rogers, managing director of BNA (Europe's largest nursing agency) becomes chairman of Nestor Medical Services. Ms Jennifer Priestley, an executive director, becomes managing director. Mr Keith Payne, financial controller, is made financial director. Ms Gillian Norman, marketing manager, becomes marketing director.

★

Mr Nicholas J. Grimshaw has been appointed a director of H.T. DRILLING AND ENGINEERING, waterwell drilling subsidiary of the Hudsons Group. He was general manager at C-Drill, Co Durham.

★

Mr Campbell Dunford (Midland International Trade Services (UK)) has succeeded Mr Peter Reynolds (Ramsden International Trade Finance) as chairman of the BRITISH EXPORT HOUSES ASSOCIATION, following the completion of Mr Reynold's term of office. Mr Brian Melville (Grindlay Brandts Export Finance) has succeeded Mr Dunford as chairman of BEHA's export finance houses committee.

★

Mr Alan Br... and Mr David Udberg have joined the board of BERGHAUS. Mr Brewis was formerly general manager for manufacturing operations at Berghaus's Washington factory. Mr Udberg, formerly export manager, will continue to have responsibility for the development of Berghaus's exports.

★

Mr Roger Davenport, managing director Unigate Foods, has been appointed managing director, BOWYERS (WILTSHIRE) *from February 1. Mr Gilbert* Cooper, sales and distribution director St Ivel, has been appointed managing director, Unigate Foods from February 1.

★

Mr Steve Reding has been appointed a director of TARMAC REGIONAL CONSTRU... He was formerly area director in the West Midlands, based in Wolverhampton, but in his new post will also be responsible for the East Midlands area, based in Peterborough.

★

Mr Stephen Wakerly has been appointed deputy managing director of GREENHAM SAND AND BALLAST CO, part of the Taylor Woodrow Group. He joined the company in 1978 and was appointed to the board in 1982.

★

Mr H. L. K. Browne, LONDON AND MANCHESTER GROUP chairman, will retire at the annual meeting on May 23. He will be succeeded by Mr John Thomson who joined the board in 1974 and was appointed a deputy chairman in 1983. Mr H. R. Jenkins, *who has been a* non-executive director since 1983, has resigned in view of his imminent departure to the U.S., where he will be taking up a senior post with Heron International.

★

Mr Bill Martin has become a director of WIGHAM POLAND HOME. Formerly general manager of British Reserve, he continues his involvement in extended warranty business, for which he will be responsible.

★

The PACKAGING EQUIPMENT MANUFACTURERS' ASSOCIATION has elected Mr A. S. Brittain, managing director of Hulbritt Developments, as chairman for a second term. New vice-chairman is Mr J. B. Dorton, managing director of Jacob. White (Packaging), while Mr R. E. King, managing director of C. E. King, remains honorary treasurer.

★

Mr George Hildrew, managing director of Newcastle Inns, has been appointed managing director of McEWAN-YOUNGER from January 21. Mr Stuart Larnder, the present managing director of McEwan-Younger, is leaving the company. Mr Guy Dickson, presently product marketing director of S&NB's head office in Edinburgh, has been appointed managing director of Newcastle Inns to replace Mr Hildrew.

★

Mr Richard D. Thomas has been appointed general manager of McCORQUODALE ENVELOPES.

★

Mr G. A. Gardner and Mr J. F. Dunn have been appointed directors of RYARSH BRICK COMPANY and Noelite, members of the Celcon Group. Mr Gardner will be responsible for sales and Mr Dunn production.

★

BET has appointed Mr Tim Gold Blyth and Mr Bill Boulton to its board. Both are members of the BET executive and are responsible for the company's publishing and plant service operations, respectively.

★

Following the death of Mr E. F. Bigland the board has appointed Mr E. M. P. Welman as the new chairman of LONDON TRUST. Mr Welman had been deputy chairman. Previously he was managing director of Baring Brothers and Co.

★

Mr Finn Arnesen, Mr William Crocker and Mr Jan Landqvist have been appointed directors and Mr Richard Inglis, Mr Anders Lobelius, Mr James Watkins and Mr Michael Watson have been appointed associate directors of PK CHRISTIANIA BANK (UK).

★

New chief for London and Manchester

Mr Tony Noble has been appointed finance director of the food distribution division of BOOKER McCONNELL. Prior to joining the division, in 1983, he was finance controller of the parent company.

★

Mr W. J. (Bill) Black, director and general manager of BROOKS CLEANING SERVICES, one of the main operating companies of Brooks Service Group of Ashley Vale, Bristol, has been appointed managing director of the company and joins the main board of Brooks Service Group.

★

MONTAGU UNIT TRUST MANAGERS has appointed Dr H. Kinloch and Mr N. A. D. Johnson as directors.

★

Mr Tor Green is now managing director of CONTINENTAL LIFE INSURANCE and Continental Pensions. Mr Ken Turner, head of marketing, and Mr John Bannon, actuary, have been appointed executive directors of both companies. Mr Quentin Fawcett has been appointed secretary of both companies.

Regional director at Lloyds Bank

Mr John Stanley Cross has been appointed a member of the eastern counties regional boards of LLOYD BANK. He is president of Eastern Counties Farmers.

★

Mr Ward Thomas has been appointed to the board of the holding company of ROBERT VINCE ADVERTISING and the PR Partnership. He is chairman of The Entertainment Network and TEN—The Movie Channel, companies formed to provide programming for the emerging cable industry.

★

Mr Paul Daffern has been appointed finance director, SPD GROUP. He joins from the employee-owned National Freight Consortium, which acquired the SPD Group on January 2. Mr Daffern was finance director, Cartransport.

★

Mr David Donald will retire from the board of THE MERCANTILE AND GENERAL REINSURANCE CO., following the annual meeting in May. He will be succeeded as chairman by Mr Brian Corby, chief executive of the parent company, the Prudential Corporation. The responsibilities of the general manager, Mr John Lock, as chief executive, will continue unchanged. The board of Mercantile & General will be enlarged by the appointment of: Mr Peter Crane, Mr Hugh Jarvis, and Mr Robin Snook, all deputy general managers; and Mr Michael Brown, chief actuary. Mr Charles Nunneley, alternate for Mr Donald, has accepted an invitation to join the board as a non-executive director on Mr Donald's retirement.

★

CLARK WHITEHILL CONSULTANTS has appointed Mr Robin Gorringe, formerly of Price Waterhouse, as managing director. Mr Tony Meadows, Mr Stuart Reid and Mr Brian Ing have been appointed directors.

★

UNDERWOODS, chemist retail chain, has promoted Mr Richard Bett to deputy managing director. He joined five years ago and has been a director for three. Mr Dennis Casey is promoted to sales director. He joined Underwoods in 1967.

★

JOHN GOVETT & CO has appointed Mr Laurie Hobbs as director of marketing from January 1.

★

Mr Ken Edge, formerly national sales manager, has been appointed to the new position of sales director of RCF TOOLS.

★

Mr H. Stuart Hughes is appointed chairman and chief executive of JARDINE REINSURANCE MANAGEMENT. He will be succeeded as managing director by Mr Peter Fryer formerly chairman and chief executive of the British National Insurance Group.

★

Mr D. R. C. Johnson is being appointed a director of DEVITT (BLOODSTOCK), part of the Devitt Group, from February 1.

★

Mr D. F. Brothwood has been appointed assistant secretary of ROYAL INSURANCE (UK).

★

BAIN DAWES has appointed Mr Peter Evans as systems director with responsibility for co-ordinating computerisation. He was systems development manager of Lloyd's at Chatham.

★

Mr Christopher D. Walters and Mr Rupert F. Thorp have been appointed directors of BINNIE & PARTNERS (OVERSEAS) with special responsibility for projects in South East Asia.

★

NETLON has appointed Mr Roger Duckworth as chairman and chief executive officer. With Netlon since 1969, he was deputy chairman.

★

Mr J. Peter B. Hadfield is joining FORSHAWS BURTONWOOD BREWERY as a non-executive director. He has retired as chairman and managing director of Bass North West.

★

In addition to his current responsibilities as a senior account director of VALIN POLLEN, Mr Neil Hedges is to become an assistant managing director on February 1.

★

Sir Fred Warner has been appointed chairman of the CONFEDERATION OF BRITISH INDUSTRY'S overseas committee. He succeeds Mr Derek Kingsbury, group chief executive of Fairey Holdings. Sir Fred is a director of Guinness Peat.

★

Mr Ashley Boddy has been appointed managing director of City builders ASHBY & HORNER. He was with Trollope and Colls which he joined in 1967, to manage the construction of the Stock Exchange. For the pasteight years he has directed several major contracts, including the construction of Wellington Barracks.

★

Mr F. Trevor Salt has been appointed a non-executive director of BOOSEY & HAWKES. He is a director of Rolls-Royce where he is responsible for manufacturing and supplies.

★

COLNAGHI has appointed Mr Richard Herner as managing director of the group; Mr James Lambert as director and head of the Old Master paintings department; and Mr Richard Knight as *director Old Master paintings* department.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Venture capital

Schroders goes for £20m fund

THE MERCHANT banks' gradual advance into the venture capital business took a new twist last week when J. Henry Schroder Wagg announced plans to set up a £15m to £20m fund modelled on its successful U.S.-managed venture trust.

In an industry which is fast becoming a headhnuter's paradise Schroders has enlisted 34-year-old Jon Moulton, formerly general manager of Citicorp's UK *venture capital arm*, to be the fund's managing partner and investment adviser.

The announcement follows hard on the heels of the recruitment at the turn of the year by Close Brothers, the small merchant *bank, of Jonathan* Thornton, previously deputy managing director of CIN Industrial Investments, the unlisted investment division of the National Coal Board Pension Funds.

Two *months earlier, Robert* Fleming announced that it had enticed two former 3i executives to run a new vehicle to be set up early this year. It is likely to be about the same size as the Schroder fund, details of which will *be published in the next few* weeks.

These moves are a sign of the merchants banks' perhaps *belated recognition that* venture capital is good business in the UK. They are also a mark of *the banks' realisation that while* Business Expansion Scheme funds are finding it harder to raise money from private investors, financial institutions — which do not qualify for BES relief — are displaying a grow*ing appetite for venture capital* investments.

Only two weeks ago, Advent Capital raised £36m in the largest single fund-raising exercise for any British venture capital fund. Overshadowing this enthusiasm, however, is the disastrous performance recently shown by some U.S. venture capital funds, which had been hit by the plummeting valuations of their riskier high technology investments.

Accordingly, the Schroders fund will be marketed mainly to institutional investors. Moulton will be looking for around 30 investments, and the fund is likely to have an emphasis on *high technonlogy business and* management buy-outs, although Moulton is unwilling at this *stage to tie himself down too* much to specific policies.

He emphasises: "I am cynical *about high technology for its* own sake. The real aim will be to buy good management. There are very few industries in which we won't play as a matter of priciple."

Moulton is likely to make use of the skills he acquired as a management buy-out co-ord inator and investor during his *four years at Citicorp,* one of which he spent working in the bank's U.S. venture capital department.

Deals in which he has been involved include the acquisition of Wardle Storeys, a specialist *plastic sheet maker,* for £5m from NCC two years ago.

A number of venture capitalists believe that the climate for management buy-outs is getting harsher because the bull markket is pushing prices beyond the reach of small management teams. Moulton disagrees. "U.S. experience shows that he management buy-out business is pretty stable, bull or bear market. There is no shortage of equity for sensible buy-out proposals."

The Schroders fund will also rely heavily on the contacts created by the bank's U.S. vehicle. Schroder Venture Trust, which attracted $37.5m (£33.5m), as against a $25m minimum subscription level, when it was established in September 1983.

If one of Schroder's U.S. investments, for instance, needed to set up a UK presence, the UK fund could take a stake in the operation, a principle pioneered in the UK by Advent. There might also be scope for transfers of technology.

"With Schroder's two offices in New York and Palo Alto, it should be easier to move deals across the Atlantic," says Moulton.

In keeping with the increasingly fashionable "hands on" approach to venture capital investment, Schroders intends to supply non-executive board members to each company in the fund.

To this end, it will shortly be announcing the recruitment of two or possibly three executives with "substantial" track *records in the industry.*

William Dawkins

Why stress is good for four ex-BR employees

Nick Garnett reports on nCode International

A SOMEWHAT unusual alliance *was established when four* former British Rail employees set up a company three years ago to sell metal fatigue analysis software to vehicle builders.

For, through financial expediency on the one hand and an accidental meeting on the other, they sold a 15 per cent shareholding to the Labour-controlled Sheffield City Council (which also has a representative on the Board) and a 20 per cent stake to the bastion of West German capitalism, the electronics company Johne and Reilhofer.

The company, nCode International, has attained reasonable, though not spectacular growth, *and lists among its customers,* Porsche, Rolls-Royce, Jaguar and the German truck builder Man. Each has bought—at £10,000 a time—the nCode packages of software with which it can analyse stress on materials.

Half the company's shares are in the hands of the four men who left British Rail's Technical Centre in Derby, taking with them, in agreement with BR, the fatigue analysis software they had been developing and have continued so to do. The four have put in a total of £24,000, with 10 per cent of shares held by a former employee of the German company and the rest of the shares unallocated.

nCode, which had a £250,000 turnover last year, made a tiny profit of just £4,000 and now employs 12, demonstrates two unusual business features.

It has regular dealings with a local authority whoes ideology is frequently *referred* to by some of the local business community as damaging to the city.

It has also been forced to learn, *sometimes painfully,* the technique for a small company of trying to sell to big organisations with large engineering departments often protective about their own abilities and position. Companies like General *Motors'* German subsidiary, Opel, which has purchased software from nCode do not suffer fools gladly.

These are in addition to all the other worries endemic among small businesses—staff recruitment, *costs* and the fear of unforeseen expenditure.

Ken Morton with fatigue analysis output *Trevor Humphries*

Ken Morton, nCode's chairman and chief executive, says Sheffield City was approached largely because the council was publicly making much of its willingness to put money where its mouth was. The council has stumped up a £26,000 grant, two loan tranches totalling £82,000 at just under 10 per cent interest overall and a *sum of £7,500 for its 15 per* cent shareholdings.

The council requires from all the companies to which it lends money an employment document in which those companies agree to recognise unions if this is requested by their workforces, and that they will abide by Equal Opportunity, pay legislation, and Health and Safety acts, nCode was also told that the council would not want it to sell to any company involved in nuclear arms manufacture or which operated in South Africa. The company must also provide a yearly business plan, quarterly financial accounts and a monthly cash flow forecast.

Morton says these have caused no problems. The company is not in fact unionised and sales to the nuclear armaments industry has not in any case arisen.

nCode was pleased with the *speed at which it obtained* money from the council; the cash was sanctioned in two months. One point at issue was the failure of the councillor nominated to attend board meetings actually to turn up regularly but the officer that has taken over this role as alternate director — Jean Bickerstaffe, a former metallurgist — has corrected this. The company seems to like this continuing level of interest.

"I think it's good that we have a wealthy organisation *like the council as a partner,"* says Morton.

The second issue—selling to well-established and famous companies with long traditions and proven engineering track records—has been a business problem.

"Initially this was more difficult than we imagined," says Morton. "It was pretty well down to our approach. We were saying 'here is the greatest *thing in fatigue analysis since* Wohler.'* What we didn't appreciate is that these companies have their own specialists and they saw us very much as a threat."

A change of tack, emphasising the packages as a tool to enhance the buyer's engineering skills, went down better. nCode has been greatly helped by Johne and Reilhofer which after a chance meeting with one of the four now acts as agents for the Sheffield company in West and Central Europe. The German concern provided £60,000 of DEC hardware for software production in return for a stake in the company.

"J and R was a big bonus," says Morton. "It gave us a partner who was dealing in the right materials and already sold equipment to the engineering industry. It gave us confidence."

nCode used Johne and Reilhofer's Munich offices to demonstrate the system to Porsche. Jaguar uses it for, among other things, fatigue analysis on roll bars, Austin Rover for body shells. Although it is putting in its software with Cummins in the U.S., it did not get very far with Ford or Citroen-Peugeot.

But apart from selling packages, NCode carries out consultancy work for companies like Holset and Volvo and sells DEC hardware.

nCode is now taking its software and services into aerospace, oil-related engineering and defence. A few possible much larger deals look to be on the cards, including one with a propellor manufacturer, but the company faces the same problem as many small businesses—trying to gauge when it is ready to move on. "We've almost launched into the defence market but we haven't taken the plunge because there is no point *in* doing that unless you can support it. We are still really at the starting gate."

That has steered nCode into its next big problem—recruiting another four people this year. With the company's profits at a low level (though predicted to rise this year to about £20,000), this is a big step and the new people have to be right to protect the image of quality the company has been fostering.

There is always an element of precariousness in businesses of this size but Morton thinks the company is relatively secure and is planning a move into larger premises next year. It is comforting for nCode that Johne and Reilhofer's parent, the Roechling Group, has indicated a readiness to put further money into the company should nCode require it.

Meanwhile more day-to-day things prey on everyone's mind. "Our main worry is if the computer breaks down and affects output. We are very thankful *that has never happened."* ...

* *A 19th-centry fatigue investigator.*

A wealth of assistance available to exporters

The HOW TO of...

SELLING ABROAD

EXPORTING is not difficult. Although the whole process may at first appear daunting, small business people should not be put off; the hard work is setting up. After that, many people find exporting fun, especially if the relative weakness of sterling leads to an extra windfall.

As with nearly every other aspect of management, good planning is the key. The need for this is greater with exporting than with almost anything else because simple things like getting the documentation wrong can lose money *or* delay payments. If you approach things correctly from the outset, however, it ought to be difficult to go wrong.

But first establish that there are markets *for* what you want to sell. The government-run British Overseas Trade Board, which has London offices in Victoria Street and Ludgate Hill, is a good place to start. It runs an Export Intelligence Service and publishes a series of hints to exporters. There may even be money available to help with market research.

Regional Chambers of Commerce are another good source of information. Some run regular seminars on exporting. Many also run trade missions to specific countries, with places open to all-comers from anywhere in Britain. This is a very good way for inexperienced small business people to travel to foreign markets, with both cost advantages and moral support from people in the same boat.

However, there is little point in joining such a mission just for market research, especially when there are much cheaper ways of getting most of the information required. Missions are *worth* trying when you are certain there is a market and have prepared yourself to become an exporter in the first place. An excellent starting point for this preparation is to see your bank manager.

All the major banks have extensive information on foreign markets and will be able to help you assess the likelihood of selling in any particular country. More than that, your bank manager will be able to put you in touch with relevant experts.

For example, NatWest, which has pioneered this sort of service, has 17 specialists called trade development managers scattered around the country. Their advice is free and they will visit you to give basic instruction in exporting, from how to get goods physically to your overseas buyer to ensuring that you get paid for them. They also hold regular "export clinics" to give general information or answer specific questions. NatWest has recently been appointing specialists in export finance to play a similar regional role.

For many goods you may also need technical advice about whether modifications may be needed for a particular foreign market. Technical Help for Exporters, a subsidiary of the British Standards Institution and based in Hemel Hempstead, is the body to consult here. It charges for advice but has cut rates for subscribers. Its links with standards authorities abroad are unparalleled.

The banks are also useful for their networks of officers and banking correspondents abroad. Not only can these help put you in touch with potential buyers, their feedback from the marketplace is important in deciding how to sell.

Direct selling is right for some countries, such as in North America or Europe, but not necessarily for the Middle East, Africa, the Far East and South America, where it is usually more effective to use an agent.

British embassies or High Commissions can help you find an agent. They have lists of possible people and their credit rating. The UK bank can also help by providing letters of introduction to its overseas branches or corresponding banks, whose managers may, in turn, be able to point you to likely outlets or *agents.*

Ian Hamilton Fazey

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Tobacco Wholesaler & Retailer

The business, operating from freehold and leasehold premises in South Yorkshire, wholesales and retails mainly cigarettes through approximately 425 vending machines and three retail shops.

The annual turnover is approximately £2 million.

The receiver will consider offers for the business as a whole or part thereof.

Enquiries to:
P.B. Scaman Esq
Peat, Marwick, Mitchell & Co.
The Fountain Precinct
1 Balm Green
Sheffield S1 3AF
Telephone: (0742) 751234
Telex: 54170

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Combined turnover of £2.5m.
Complete modern manufacturing and machining plant, capable of producing up to 800 feature hardwood doors per month.
2 vacuum kilns.
Leasehold premises at Otley and Morley, West Yorkshire.
Highly skilled work force. Good customer base.

Coopers & Lybrand

All enquiries should be made to:
M. J. Moore, Receiver and Manager, D. J. Waterhouse or J. F. Swarbrick, at
COOPERS & LYBRAND
5 Albion Place
Leeds LS1 6JP
Tel: Leeds 457332

HATTON COLOUR COMPANY LIMITED

The Joint Receivers offer for sale the assets of the above company which comprise the following:
* Lease of central London premises for a total of 19,000 sq.ft.
* Fixtures and fittings.
* Equipment for use as a photographic process studio.
* Turnover at an annual rate of approximately £1,000,000.

All enquiries to Clive Sherling or Kae Mendham at:
Arthur Andersen & Co.,
P.O. Box 55
1 Surrey Street,
London, WC2R 2PS
Tel: 01-836 1200
ARTHUR ANDERSEN & CO.

POOLE STADIUM LIMITED

The Joint Liquidators offer for sale the assets of the above company which comprise the following:
* Lease of the stadium located near Poole town centre.
* Fixtures and fittings relating to use for Greyhound and Speedway racing, including tote board facilities etc.

All enquiries to David Buchler or Kae Mendham at:
Arthur Andersen & Co.,
P.O. Box 55
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On the instructions of Warner Holidays Limited

Brixham, South Devon

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Business Opportunities

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For Share Index and Business News Summary, Telephone 246 8026 (number preceded by the appropriate area code valid for London, Birmingham, Liverpool and Manchester).

Company Notices

NOTICE OF PREPAYMENT

CCF

Crédit Commercial de France

US$ 150,000,000
Floating Rate Notes due 1996

Notice is hereby given that C.C.F. will prepay at par on the interest payment date falling on May 31, 1985 the total amount remaining outstanding of the above-mentioned Notes.

Payment of interest due on May 31, 1985 and reimbursement of principal will be made in accordance with the Terms and Conditions of the Notes.

Interest will cease to accrue on the Notes *as from May 31, 1985.*

Luxembourg, January 22, 1985

The Fiscal Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

NOTICE OF REDEMPTION
Can$25,000,000
16½% (until March 1, 1985 and 17% thereafter)
Guaranteed Notes due March 1, 1988 of
TD MORTGAGE CORPORATION
formerly
TORDOM CORPORATION

Pursuant to paragraph 5 of the above Notes, and in accordance with the *provisions of the Fiscal and Paying Agreement dated March 1, 1982,* the Corporation intends to redeem all of the above Notes on March 1, 1985 at a redemption price of 100% of the principal amount *(Can$1,000 per certificate)* plus interest to that date as represented by Coupon F3.

Payment of the redemption price will only be made upon presentation and surrender of the Note, together with the unmatured coupons numbered F4, F5 and F6 (due March 1, 1986, March 1, 1987 and March 1, 1988 respectively), at one of the Paying Agencies listed below. If any of the unmatured coupons is missing, the amount of the missing coupon(s) (Can$170 for each coupon) shall be deducted from the redemption price. The amount so deducted shall be paid against surrender of the relevant missing coupon(s).

All interest on the Notes shall cease from and after March 1, 1985, and any Notes presented after such date shall have no other right except to receive payment of the redemption price of such note.

January 21, 1985 TD MORTGAGE CORPORATION

PAYING AGENCIES:
THE TORONTO-DOMINION BANK, 55 King Street West and Bay Street, Toronto, Ontario M5K 1A2
THE TORONTO-DOMINION BANK, 62 Cornhill, London EC3V 3PL, England
THE TORONTO-DOMINION BANK TRUST COMPANY, 42 Wall Street, New York, NY 10005, USA
MORGAN GUARANTY TRUST COMPANY OF NEW YORK, Avenue des Arts 35, B-1040 Brussels
BANQUE GENERALE DU LUXEMBOURG SA, 14 rue Aldringen, Luxembourg

BANQUE FRANCAISE DU COMMERCE EXTERIEUR

GUARANTEED FLOATING RATE NOTES DUE 1988 US$500,000,000
In accordance with the terms and conditions of the Notes notice is hereby given that for the six month period from January 22, 1985 to July 22, 1985, the Notes will carry an interest rate of 9⅛%.
On July 22, 1985 interest of US$458.78 will be due per US$10,000 Note for Coupon No. 5.
BANQUE GENERALE DU LUXEMBOURG
Societe Anonyme
as Fiscal Agent

BANQUE NATIONALE DE PARIS

Floating Rate Note Issue of
US$250,000,000 1984/1994

The rate of interest applicable to the interest period from January 22 up to July 22 1985 as determined by the reference agent is 9⅛ per *cent per annum namely US$458.78* per note of US$10,000.

NORGES KOMMUNALBANK
7¼% 1977/1984 UA Loan

Bonds for the amount of UA 1,400,000 have been drawn on January 8, 1985 in the presence of a Notary Public. The Bonds will be reimbursed with coupon No. 15 on March 15, 1985.
The drawn Bonds are those NOT YET PREVIOUSLY REDEEMED, included in the ranges beginning:
at 2075 up to 6682 incl.
and
at 11950 up to 14844 incl.
Amount unamortised: UA 1,300,000.
Outstanding drawn Bonds:
1149 and 1150, 2183 to 2185 incl., 2441, 2447, 2494, 2532 to 2533 incl., 2556, 2584, 2586, 2579 to 2580 incl., 2593 and 2594, 2604 and 2606, 2608 and 2609, 2613 to 2615 incl., 2622 and 2623, 2683 to 2687 incl., 2698 to 2698 incl., 2801, 2908 to 2910 incl., 2925 and 2926, 2962, 2972 to 2975 incl., 2981 to 2985 incl., 3068 to 3072 incl., 3075, 3081, 3083, 4131 to 4137 incl., 4216 and 4217, 4234, 4241 to 4244 incl., 4317 and 4318, 4384, 4414 and 4415, 5241, 5244, 5444, 5557, 5671, 5843, [illegible] and 6190, 6356, 6394 and [illegible], 6435, 6448 to 6451 incl., 6472, 6486 and 6489, 6527, 6541, 6543 to 6544 incl., 6568 and 6567, 6572 and 6573, 6577, 6582, 6608, 6621 to 6623 incl., 6655 and 6656, 6665 and 6666, 6691 to 6696 incl., 6715, 6716 and 6719, 6723 to 6728 incl., 6738, 6743, 6756 and 6757, 11186 and 11187, 11920.

The Trustee
FINIMTRUST S.A.

Luxembourg,
January 22, 1985.

NOTICE
CHAPTER GILT FUND LIMITED
(IN VOLUNTARY LIQUIDATION)
(formerly of Queen's House, Don Road, St. Helier, Jersey, Channel Islands.)

NOTICE IS HEREBY GIVEN to all persons having claims against the above-named Company (which for the purposes of this notice includes persons who have invested or have applied to invest in the said company), who have not to date intimated their claims to the Liquidator, that they are required on or before the 15th February 1985 to send their names and addresses and particulars of their debts or claims against the Company to the Liquidator,
Mr Leslie R. Crapp, F.C.A.,
of COOPERS & LYBRAND,
La Motte Chambers,
St. Helier, Jersey, C.I.,
and if so required by notice in writing from the said Liquidator:
1. to approve or reject proposed terms of settlement of claims in connection *with the Liquidation; and*
2. To provide such proof of their said debts or claims in such manner as shall be specified by the Liquidator.

Any such claimant failing to respond to this notice may be excluded from the benefit of any distribution made under the terms of the proposed settlement.

LESLIE R. CRAPP,
Liquidator.
16th January 1985.

GEN. FINANCE N.V.
U.S.$100,000,000
Floating Rate Notes due 1994

In accordance with the terms and conditions of the Notes, notice is hereby given that for the six month period from January 22nd, 1985 to July 22nd, 1985 the Notes will carry an interest rate of 9[illegible]% (including the margin of ⅛%) the coupon amount so calculated will be US$456.84.

BANQUE GENERALE DU LUXEMBOURG
Societe Anonyme
Agent Bank

Art Galleries

AGNEW GALLERY, 43, Old Bond St., W1. 01-629 6176. 112th ANNUAL WATER-COLOUR EXHIBITION. Until 22 Feb. Mon.-Fri 9.30-5.30. Thurs. until 6.30.

SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

Tuesday January 22 1985

Brazil halts coffee deals with China and Morocco, Page 36

WALL STREET

Day of the private investor

A STRONG advance in heavy turnover was recorded by Wall Street stocks yesterday despite the closure of the federal bond markets and of many New York banks for the Martin Luther King holiday, *writes Terry Byland in New York.*

With the investment institutions less active because of the holiday, it was the turn of the private investors to drive the market forward.

At 3pm, the Dow Jones industrial average was up 25.4 at 1,252.76.

Strong retail demand for the second line technology issues pushed the New York Stock Exchange composite index to a new peak, while the American Stock Exchange index, another indicator of the health of stocks in the smaller U.S. companies, was also sharply higher.

Turnover surpassed Friday's levels, despite the subdued role of the institutions.

While neither Government bonds nor money market instruments traded, credit market analysts were in bullish mood. The Federal Reserve is expected to maintain its relaxed credit stance for some time, allowing the U.S. economy to develop the recovery which has become apparent in recent weeks. Technical factors are also positive, with the bond markets enjoying a holiday from Treasury financing until February when a record financing package of around $18.25bn is expected.

Blue chip issues soared ahead behind the lead of IBM, which moved close to its 12-month peak in heavy trading.

The strength of the stock, $2¾ up at $126⅞ indicated its popularity with private investors, as well as with the managers of the big pension and trust funds.

Also strong were the other leading computer stocks, due to report profits this week. Burroughs added a further $1⅜ to $62¾, Honeywell at $59⅞ put on $⅝. Control Data at $36¼ gained $¾ and NCR was $⅜ better a $28½.

But expectations that the computer industry, the *driving belt of modern industry*, would be the first to benefit from a strengthening U.S. economy, showed itself chiefly in the second line issues traded on the Amex and Nasdaq stock markets.

Wang Laboratories jumped $⅝ to $26½ and Western Digital at $11¾ added $⅞. Computer Consoles added $½ to $13¾.

Among industrial issues traded on the Amex, BAT Industries of the UK added $1/16 to $4½ after 1.2m of its American Depositary Receipts were traded.

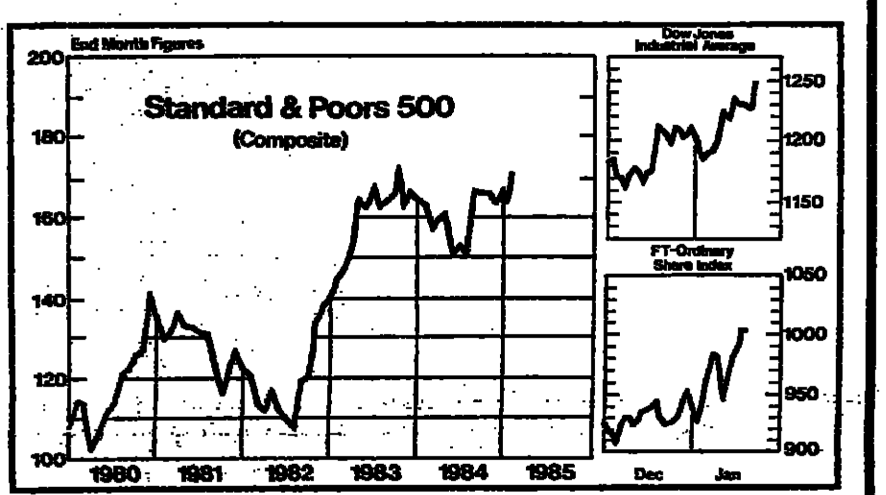
The flow of corporate results continued, with Inland Steel opening the steel company trading season. Gaining $⅞ to $25 on the trading figures. In pharmaceuticals, SmithKline Beckman jumped $1⅛ to $56⅞ after announcing increased earnings.

Continental Illinois added $¼ to $7¾ in a favourable response to the profits statement. Other bank issues to maintain their recent strength included Chase Manhattan, $¾ up at $52¼, and J.P. Morgan, $1 higher at $41⅞. Good results lifted Bank of Boston $¼ to $43¾.

Profits news took Sperry, the defence and technology group, $⅞ higher at $43⅞. Also responding to trading statements, Singer put on $⅞ at $34, Ethyl $⅜ at $33⅜, Cross Trecker $⅜ at $28 and Robertshaw Controls $1⅛ to $33⅛.

Lower earnings at Alcan Aluminium had been discounted and the stock rose $1 to $29. Raytheon gained $⅜ to $43⅞ on earnings news. McKesson, the drugs and food group, added $¼ to $8½ on a flat third-quarter result. Hilton Hotel at $57½ was $⅝ better, also on trading news.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Jan 21	Previous	Year ago
DJ Industrials	1,252.7 *	1,227.36	1,259.11
DJ Transport	587.80*	577.72	596.45
DJ Utilities	147.47*	147.57	130.39
S&P Composite	174.37*	171.32	166.21
LONDON			
FT Ord	1,003.9	1,004.4	814.9
FT-SE 100	1,279.0	1,277.9	1,059.0
FT-A All-share	616.65	614.96	494.50
FT-A 500	678.72	676.95	528.17
FT Gold mines	463.7	466.3	541.3
FT-A Long gilt	10.72	10.72	11.96
TOKYO			
Nikkei-Dow	11,975.74	11,910.06	10,104.0
Tokyo SE	935.37	932.65	764.45
AUSTRALIA			
All Ord.	750.7	746.4	781.5
Metals & Mins.	432.8	427.5	541.2
AUSTRIA			
Credit Aktien	58.35	58.26	55.36
BELGIUM			
Belgian SE	2,096.62	2,090.7	–
CANADA			
Toronto			
Metals & Minls	2,042.6*	1,991.8	2,464.0
Composite	2,451.6*	2,419.6	2,572.5
Montreal			
Portfolio	123.73*	121.7	125.9
DENMARK			
Copenhagen SE	162.79	163.09	225.21
FRANCE			
CAC Gen	190.8	190.1	167.5
Ind. Tendance	104.1	103.9	90.1
WEST GERMANY			
FAZ-Aktien	402.51	403.73	360.5
Commerzbank	1,169.4	1,167.9	1,065.6
HONG KONG			
Hang Seng	1,350.00	1,360.33	1,034.0
ITALY			
Banca Comm.	255.74	255.40	219.02
NETHERLANDS			
ANP-CBS Gen	192.0	190.4	168.9
ANP-CBS Ind	154.9	153.5	142.1
NORWAY			
Oslo SE	314.2	311.07	243.29
SINGAPORE			
Straits Times	768.71	771.01	1,044.44
SOUTH AFRICA			
Golds	n/a	1,043.3	813.6
Industrials	n/a	902.6	969.7
SPAIN			
Madrid SE	110.27	110.22	77.49
SWEDEN			
J & P	1,438.96	1,446.74	1,524.2
SWITZERLAND			
Swiss Bank Ind	404.4	406.4	383.2
WORLD	Jan 18	Prev	Year ago
Capital Int'l	190.5	189.9	186.9

GOLD (per ounce)

	Jan 21	Prev
London	$307.50	$307.00
Zurich	$307.75	$307.50
Paris (fixing)	$305.77	$307.03
Luxembourg	$307.15	$307.95
New York (Feb)	$308.40	$307.20

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Jan 21	U.S. DOLLAR Previous	STERLING Jan 21	STERLING Previous
$	–	–	1.1235	1.121
DM	3.1705	3.181	3.565	3.5675
Yen	253.4	254.5	285.0	285.0
FFr	9.7075	9.7425	10.9175	10.9
SwFr	2.6665	2.682	2.9975	2.9975
Guilder	3.58	3.581	4.03	4.0275
Lira	1,948.5	1,952.0	2,193.0	2,188.0
BFr	63.45	63.6	71.4	71.45
C$	1.32285	1.32725	1.4875	1.4885

INTEREST RATES

	Jan 21	Prev
Euro-currencies (3-month offered rate)		
£	12	12
SwFr	5¼	5 7/16
DM	5 13/16	5 13/16
FFr	10⅞	10 15/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	8⅝	8⅝
6-month U.S.$	8 13/16	8 13/16
U.S. Fed Funds	closed	7⅞
U.S. 3-month CDs	closed	8
U.S. 3-month T-bills	closed	7.73

U.S BONDS

Treasury	Jan 18* Price	Jan 18* Yield	Prev Price	Prev Yield
9⅞ 1986	100	9.87	99 29/32	9.92
11⅛ 1992	101 24/32	11.26	101 11/32	11.32
11⅝ 1994	101 9/32	11.40	100 28/32	11.47
11¾ 2014	102 29/32	11.52	102	11.58
Corporate	Jan 21* Price	Jan 21* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	95⅞	11.40	95⅞	11.40
3⅞ July 1990	73⅞	10.25	73⅞	10.25
8¾ May 2000	77	12.10	77	12.10
Xerox				
10⅞ March 1993	94	11.80	94	11.80
Diamond Shamrock				
10⅜ May 1993	91⅜	12.25	91⅜	12.25
Federated Dept Stores				
10⅜ May 2013	86¾	12.30	86¾	12.30
Abbot Lab				
11.80 Feb 2013	94½	12.50	94½	12.50
Alcoa				
12¼ Dec 2012	96⅛	12.75	96⅛	12.75

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Mar	71–11	71–14	71–09	71–13
U.S. Treasury Bills (IMM) $1m points of 100%				
Mar	92.02	92.06	92.02	92.04
Certificates of Deposit (IMM) $1m points of 100%				
Mar	91.46	91.49	91.44	91.46
LONDON				
Three-month Eurodollar $1m points of 100%				
Mar	91.16	91.17	91.12	91.09
20-year Notional Gilt £50,000 32nds of 100%				
Mar	104–26	105–03	104–25	104–27

COMMODITIES

(London)	Jan 21	Prev
Silver (spot fixing)	550.85p	557.60p
Copper (cash)	£1,246.50	£1,240.50
Coffee (Mar)	£2,378.50	£2,362.50
Oil (spot Arabian Light)	$27.90	$27.90

LONDON

Institutions move out of limelight

SMALL INVESTORS took the limelight in London yesterday as institutions took a break from the record setting pace of last week. The FT Ordinary index touched a new high early in the session, weakened, and then found renewed strength from Wall Street's sharp opening. The index, however, settled a net 0.5 easier at 1,003.9.

Oils were active, with BP rising 7p to 495p and Britoil adding 15p to 215p. The rights issue from Bunzl was well received, pushing it 40p higher to 483p while BTR, in pursuit of Dunlop Holdings, shed 11p to 675p.

Gilts improved although the underlying sentiment was sensitive. Longs finished ¼ firmer, while index-linked issues came back into fashion.

Chief price changes, Page 30; Details, Page 31; Share information service, Pages 32-33.

HONG KONG

UNCERTAINTY over the short-term direction of Hong Kong shares forced many investors to the sidelines as the Hang Seng index fell 10.33 to 1,350.00, the first time in over six weeks that it declined in two consecutive sessions.

The downturn was not uniform, however. Rises of 15 cents each were recorded by Jardine Matheson at HK$9.40 and New World Development at HK$5.70. Hongkong Telephone took one of the sharpest falls of the session with a HK$1.50 retreat to HK$58. Cheung Kong lost HK$1.30 to HK$13.10.

Hongkong Bank managed to hold steady at HK$9.05 as did Wheelock Maritime at HK$1.10.

SINGAPORE

THE ABSENCE of strong buying interest dampened Singapore and trimmed 2.30 points off the Straits Times industrial index to 768.71.

Sime Darby, the most active stock with a modest turnover of 360,000 shares, edged 1 cent lower to S$1.67, while Singapore Press, also active, closed unchanged at S8.25.

OCBC was 10 cents weaker at S$8.60 ahead of the ¼ point cut in its prime rate for Singapore dollars to 8.5 per cent. This follows a similar reduction by other leading banks.

AUSTRALIA

A BULLISH stance by local institutional investors fuelled a rally in Sydney with a large increase in block trades enabling a 3.7 point rise in the All Ordinaries index to 750.1.

News Corporation managed one of the largest gains with a 50 cent surge to A$12, while most other increases were confined to single figures. Industrial leader BHP in fact shed 2 cents to A$5.10; ANZ in banks firmed 6 cents to A$5.36 and brewer Castlemaine Tooheys rose 4 cents to A$4.34.

SOUTH AFRICA

THE FIRM bullion price injected a measure of stability into Johannesburg gold shares, while other mining shares and industrials ended mixed.

Buffels was steady at R77 while Free State Geduld finished unchanged at R52.50. Driefontein succumbed to selling pressure and lost 50 cents to R54.75, and diamond share De Beers was weaker with a 5-cent fall to R8.80. Platinum miner Rustenburg shed 10 cents to R16.90 ahead of its first-half profits surge to R59m.

Industrial leader Barlow Rand was 5 cents stronger at R10.85.

CANADA

MINING SHARES led the upsurge in Toronto while gold and oil-related issues followed suit.

Among the most active Alcan Aluminum traded C$¾ up to C$38 after poor fourth-quarter results. Elsewhere, Canadian Pacific moved C$1½ higher to C$52⅞, Inco gained C$½ to C$17½ and Noranda firmed C$⅝ to C$19¾. Northern Telecom traded C$1¼ higher to C$46⅞ after reporting a strong final-quarter profits performance.

In Montreal shares moved sharply ahead over a broad range.

EUROPE

Renewed assaults on records

A ROUND of late profit-taking left shares mixed in **Frankfurt**, wiping out the benefit of strong early demand which had taken the Commerzbank index to a fourth consecutive record high.

The index of 60 leading shares, calculated at midsession, added a further 1.5 to 1,169.4.

Among the motor manufacturers, Daimler held a DM 1.40 advance to DM 632, buoyed by higher profit forecasts but BMW fell DM 4 to DM 380, Volkswagen eased DM 2.50 to DM 203 and Porsche shed DM 6 to DM 1,090.

The engineering sector was also mixed with GHH DM 3.30 higher at DM 168.80 on expectations of higher dollar-denominated profits. Mannesmann was unchanged at DM 158.50 and MAN eased 50 pfg to DM 169. KHD, trading ex-rights, slipped DM 12 to DM 244.

Among electricals, Siemens eased 80 pfg to DM 499.20, despite the announcement of a DM 240m order from Indonesia for generators. AEG, however, put on 20 pfg to DM 108.80 amid market speculation that profits could turn out higher than previously expected.

The stores sector was under pressure following Karstadt's expectations of lower 1984 earnings. Karstadt itself was DM 1.50 lower at DM 239, Kaufhof shed DM 4.20 to DM 219.80 and Horten was DM 4 lower at DM 182.

Bond prices closed mostly higher although uncertainty about the dollar and central bank intervention left trading fairly thin. The Bundesbank sold DM 97.1m of paper, compared with sales totalling DM 141.5m on Friday.

Meanwhile, the Bundesbank reported that net sales of domestic bonds fell to DM 72.2bn last year from DM 87.6bn in 1983 although gross sales in 1984 were little changed at DM 227.4bn.

Amsterdam returned to record-setting ways with heavy foreign demand attributed to the continued strength of the dollar. The ANP-CBS general index added 1.6 to 192.0, which surpassed the previous record of 191.4 registered last Wednesday.

Slight profit-taking emerged later in the day but sell orders were easily absorbed.

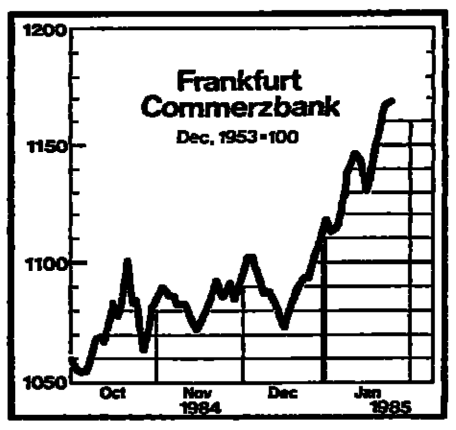
Unilever led the gains among the major companies, rising Fl 4.80 to Fl 333.20 and Hoogovens was Fl 1.60 firmer at Fl 63.80.

Among banks, ABN added Fl 4 to Fl 379 and NMB Fl 3.50 to Fl 163.0. Mortgage bank WUH recovered from last week's losses rising Fl 2.50 to Fl 112.

AmRo rose Fl 1.40 to Fl 72.60 after a successful private placement of 2.5m new shares.

Fokker put on Fl 1.50 to Fl 93.50. The aerospace group confirmed it is to receive orders worth about Fl 412m under a co-production contract with Raytheon of the U.S. for the Patriot guided missile system.

KLM was unchanged at Fl 46.80 amid uncertainties about how much dilution its subordinated bond issue with warrants would imply.



Continuing reinvestment of dividend payments gave an upward bias to **Paris**, although trading was cautious.

Meanwhile, official figures show that a total of FFr 250m was raised on the French domestic bond market last year, a 26 per cent rise on the 1983 level. Government bond issues took up 34 per cent of the total.

The selling pressure that had taken **Brussels** lower in recent sessions subsided yesterday and prices ended slightly firmer, although volume remained low.

Petrofina, the oil company and Belgium's largest industrial unit, added BFr 50 to BFr 6,720 amid continuing market speculation that Groupe Bruxelles Lambert (GBL) might be buying the stock. GBL dipped BFr 25 to BFr 1,965.

A mixed to weaker performance was seen in **Zurich** as profit-takers chipped away at the gains recorded during last week's rally.

Among chemicals, Ciba-Geigy rose SwFr 30 to SwFr 2,680 on further consideration of recent turnover figures. But Landis & Gyr fell SwFr 5 to SwFr 1,655 in the wake of its 27 per cent rise in profits for 1984.

Milan was mixed as the market took a pause to consolidate recent gains. **Madrid** continued its advance with the stock exchange index up 0.05 at a record 110.27.

Stockholm was easier in quiet trading as the market awaits Volvo's 1984 results, due tomorrow. Volvo itself was unchanged at SKr 265.

TOKYO

Electricals spark run to peaks

ACTIVITY was the slowest so far this year in Tokyo yesterday, but the Nikkei-Dow market average still climbed to another all-time high on upsurges of light electricals, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow opened lower, but firmed in late trading to close 12.43 higher at a record 11,964.52. Turnover declined sharply to 266m shares from last Friday's 442m dipping below the previous low of 329m shares registered on January 7.

Investors stayed on the sidelines due to the lack of fresh incentives and growing concern that the buying balance on margin trading at the end of last week would hit a new high for the fourth consecutive week, despite the Tokyo stock exchange's tightened restrictions on margin trading. The balance is scheduled to be announced today.

Meidensha Electric and other small-capital heavy electricals were bought in early trading, along with Seika Sangyo, but later came under profit-taking pressure. These issues had entered a liquidation phase after leading a year-end strong rally. Meidensha Electric shed Y13 to Y532 and Yaskawa Electric Y4 to Y566.

Incentive-backed issues fell. Nippon Oil and Fats weakened Y23 to Y770 with 8.22m shares traded, the day's busiest. Nippon Gakki was down Y10 to Y1,730, Kuraray Y21 to Y845 and Asahi Chemical Industry Y12 to Y681.

Buying interest focused on some high-priced light electricals. Sony climbed Y130 to Y4,000 on its launch of an 8mm videocassette recorder (VCR). In sympathy, Pioneer soared Y180 to Y3,270, Fuji Photo Film Y60 to Y1,820 and TDK Y60 to Y5,410. Kanto Denka Kogyo, a magnetic materials manufacturer, firmed Y80 to Y1,300 and Matsushita Electric Industrial Y30 to Y1,610.

Bond prices hardened on light buying by city banks and investment trust management companies, despite the absence of incentives.

Financial institutions bought government bonds, due in about eight years, in blocks of Y3bn to Y5bn. The bonds carry higher yields than government issues with a remaining life of more than nine years. The yield on the benchmark 7.3 per cent government bond, due in December 1993, sagged to 6.505 per cent from Saturday's 6.525 per cent.

Prices at 3pm, January 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
23½	16⅝	AAR	.48	2.6	14	90	18½	18½	18½	
30¼	9⅝	AGS			13	464	17⅛	15⅞	17	+1½
21	13½	AMCA	1	7.8		25	13⅛	12⅞	12⅞	-⅞
17⅞	13⅛	AMF	.50	3.1	89	272	16	15⅞	15	-⅛
38⅝	24¼	AMR			8	13643	34⅞	34	34½	-⅛
20⅝	18¼	AMR	pf2.18	11		51	19⅞	19⅞	19½	+⅛
39	27½	AMR	pf2.13	6.1		626	34⅞	34⅜	34⅞	+1¼
25¼	22⅞	ANR	pf2.67	11		2	24	24	24	
14¼	8½	APL			3	2	10⅞	10⅞	10⅞	+⅛
69¼	44¼	ASA	3	5.9		1731	50⅞	50¼	50½	+⅛
26⅝	16	AVX	.32	1.8	11	652	17⅞	17⅝	17⅞	+⅛
48½	36½	AbtLab	1.20	2.7	13	2634	45⅛	43¼	44⅞	+¼
33⅞	16½	AccoWd	s.44	2.0	18	551	22⅞	22	22	-⅛
27	12½	AcmeC	.40	2.5		151	16¼	15½	16⅛	-⅛
12⅛	8⅞	AcmeE	.32b	3.2	12	10	10	9⅞	10	-⅛
17⅞	15	AdaEx	2.11e	13		65	16¼	16	16¼	+⅛
18⅞	11⅞	AdmMl	.32	2.0	8	19	16⅞	16⅞	16⅞	+⅛
20¼	8⅞	AdvSys	.811	6.4	21	204	13¼	12⅞	12⅞	-⅛
41⅞	25¼	AMD			14	3398	33½	32¼	33⅛	+1
12⅛	6⅞	Advest	.12	1.2		81	9⅞	9⅞	9⅞	+⅛
14⅞	8⅛	Aeroflex			12	121	13⅞	13	13¼	
38	27¼	AetnLf	2.64	6.9	32	4501	38⅞	37⅞	38½	+½
58¼	52⅞	AetL	pf5.87e	11		16	55⅛	55½	55½	+¼
33¼	15⅞	Ahmns	1.20	4.1	13	435	29¼	28⅞	29	
5⅞	2⅞	Aileen			30	37	3	2⅞	3	
48⅞	38½	AirPrd	1.20	2.6	10	329	46½	45¼	46⅛	+¼
28⅞	13	AirbFrt	.60	2.8	12	65	22	21	21¼	+¼
1⅞	⅞	AlMoa	s		25	633	1⅞	1¼	1½	-⅛
27⅛	21	AlaP	pf2.97e	12		640	25	25	25	-⅛
31⅛	26⅛	AlaP	pfA3.92	13		35	30½	30½	30½	-⅛
7½	6	AlaP	dpf.87	12		72	7¼	7⅛	7¼	

Continued on Page 29

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AMERICAN STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, January 21

Continued on Page 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued from Page 28

12 Month High	Low	Stock	Div. Yld. P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
50	34¼	WstPtP	2.20 5.7 6	32	39¼	38½	38⅝	−½
5½	2⅝	WnAirL		103	3⅝	3½	3½	
2¼	⅛	WnAir wt		91	1⅛	15-16	1⅛	+⅛
18	8½	WAir pf	2 17	20	11⅝	11⅝	11⅝	−¼
13½	8¼	WAir pf	2.14 17.	17	12⅝	12½	12⅝	
11⅛	4	WCNA		493	4⅝	4½	4½	−⅛
109	81	WPacI	6	7	103	103	103	
37¼	5¼	WUnion		5321	7⅛	6½	7	+½
87⅝	24⅞	WnUn pf		6	26	25	26	+1
69	26½	WnU pfC		1	29	29	29	+1
9⅝	2⅛	WnU pfS		92	3⅝	3½	3½	−⅛
15½	4⅛	WnU pfE		79	6½	6	6½	+⅜
48⅞	20	WUTI pf		10	20⅞	20⅛	20⅞	+⅞

Continued on Page 30

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E-price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

Jan. 21	Price Sch%	+ or —
Creditanstalt	226	......
Goesser	338	......
Interunfall	408	......
Laenderbank	225	......
Perlmooser	361	-1
Steyr-Daimler	161	......
Veitscher Mag	254	-1

BELGIUM/LUXEMBOURG

Jan. 21	Price Frs.	+ or —
B.B.L.	1,800	......
Banq. Int. A. Lux	5,530	......
Bekaert B	4,380	-20
Ciment CBR	2,460	-10
Cockerill	251	-4
Delhaize	5,600	-60
EBES	2,770	......
Electrobel	8,070	+70
Fabrique Nat	2,070	-15
GB Inno BM	2,925	......
GBL (Brux)	1,965	-25
Gevaert	3,595	......
Hoboken	5,960	......
Intercom	2,070	+30
Kredietbank	7,640	-10
Pan Hldgs	10,300	-200
Petrofina	6,720	-50
Royale Belge	10,100	-350
Soc. Gen. Banq	3,200	-5
Soc. Gen. Belge	1,795	-10
Sofina	6,830	-80
Solvay	3,965	+115
Stanwick Intl	1,450	......
Tractionel	3,890	+150
UCB	4,625	......
Wagon Lits	3,220	+20

DENMARK

Jan. 21	Price Knr %	+ or —
Andelsbanken	264	-1
Baltic Skand	565	......
CopHandelsbank	260	-4
D. Sukkerfab	485	......
Danske Bank	261	-3
De Danske Luft	1,120	......
East Asiatic	150	+10
Forenede Brygg	795	......
Forenede Damp	54	-1
GNT Hldg	378	+6
I.S.S.B.	360	+15
Jyske Bank	504	-1
Novo Ind	1,460	-35
Privatbanken	226	-3
Provinsbanken	300	-13
Smidth (F)	220	+1
Sophus Berend	905	......
Superfos	425	-2

FRANCE

Jan. 21	Price Frs.	+ or —
Emprunt 4½% 1973	1,652	+7
Emprunt 7% 1973	7,680	-20
Accor	240.1	+0.6
Air Liquide	571	+2
BIC	540	+2
Bongrain	1,675	-45
Bouygues	743	+1
BSN Gervais	2,250	-30
CIT-Alcatel	1,270	+7
Carrefour	1,803	-2
Club Mediter'n	1,170	-10
Cie Bancaire	592	-2
Cofimeg	253	......
Damart	2,400	-20
Darty	1,028	-23
Dumez S.A.	718	-2
Eaux (Cie Gen)	561	-13
Elf-Aquitane	229.4	+6.4
Essilor	2,890	+20
Gen. Occidentale	678	+16
Imetal	77.1	+0.1
Lafarge Coppee	386	+1
L'Oreal	2,384	+9
Legrand	8,060	+5
Maisons Phenix	185	-25
Matra S.A.	1,850	+20
Michelin B	779	+4
Midi (Cie)	2,180	+8
Moet-Hennessy	1,969	+18
Moulinex	98	+1
Nord Est.	79.4	-0.1
Pernod Ricard	693	-4
Perrier	463	-2
Petroles Fra	254.5	+4
Peugeot S.A.	253.5	+4
Printemp.Aus	177.9	-0.6
Radiotech	244	+3.5
Redoute	1,211	-46
Roussel-Uclaf	1,600	-5
Sefimeg	299.5	+4.9
SkisRossignol	1,949	+29
Telemech Elect	2,275	+40
Thomson CSF	445.5	+0.5
Valeo	237.5	+2.5

GERMANY

Jan. 21	Price Dm.	+ or —
AEG-Telef.	108.8	+0.2
Allianz Vers	10x74r	+19
BASF	184.5	+0.3
Bayer	195.4	+0.4
Bayer-Hypo	331	+2
Bayer-Verein	350	-2
BHF-Bank	290.5	+1.5
BMW	380	-4
Brown Boveri	193.3	+0.5
Commerzbank	174	-0.3
Cont'l. Gummi	121.5	-1.8
Daimler-Benz	632	+1.4
Degussa	345.5	+1.5
D'sche Babcock	160.5	-2
Deutsche Bank	405	-0.7
Dresdner Bank	195.9	+1.9
GHH	168.8	+3.3
Hochtief	479	-1
Hoechst	189	......
Hoesch Werke	103	-1
Holzmann (P)	394	+2
Horten	182	+2
Hussel	296	+1
Karstadt	237	-1.5
Kaufhof	219.8	-4.2
KHD	244xr	-12
Kloeckner	78	+0.2
Linde	396	-0.5
Lufthansa	188.5	-2.5
MAN	169	-0.5
Mannesmann	168.5	......
Mercedes Hld	561.5	-2.5
Metallgesell	217.5	+3.5
Munech Rueck	1398	+83
Nixdorf	540.5	-0.5
Porsche	1090	-6
Preussag	251.5	-1.3
Rhein West Elect	168.5	-1
Rosenthal	248.1	+0.1
Schering	464.8	+1.3
Siemens	499.2	-0.8
Thyssen	91.5	+0.1
Varta	181.8	+1.3
Veba	174	+0.8
V.E.W.	123	-1.2
Verein-West	309	+1
Volkswagen	203	-2.5

ITALY

Jan. 21	Price Lira	+ or —
Banca Com'le	18,000	......
Bastogi-IRBS	177	-0.5
Centrale	2,539	-56
Credito Varesino	4,301	+102
Fiat	2,320	+29
Finsider	56.75	+1.75
Generali Assicur	37,500	+500
Invest	2,925	......
Italcementi	75,900	-1800
La Rinascenti	572	-2
Montedison	1,450	-13
Olivetti	6,499	-51
Pirelli Co.	3,711	+16
Pirelli Spa	2,099	-12
Snia BPD	2,414	+4
Toro Assic	14,000	+60
do. Pref	10,689	+490

NETHERLANDS

Jan. 21	Price Fls	+ or —
ACF Holding	200	+4
AEGON	161.0	+1.5
Ahold	207	+3.5
AKZO	102.7	+1.2
ABN	379.5	+4.5
AMEV	226.5	+1.2
AMRO	72.8	+1.4
Bredero Cert	159.5	......
Bos Kalis Westm	15.0	+0.8
Buehrmann-Tet	81.0	-0.5
Calland Hldgs	33.1	-1.7
Dordtsche Pet'm	159	......
Elsevier-NDU	115.5	+2.0
Fokker	93.5	+1.5
Gist Brocades	178.5	+1.3
Heineken	153.5	+2.1
Hoogovens	65.1	+1.6
Int Mueller	42.9	+0.7
KLM	46.8xc	......
Naarden	49.3	+0.4
Nat Ned Cert	287	+2
Ned M d Bank	163.0	+3.5
Nedlloyd	168.0	+0.5
Oce Grinten	298	+3
Ommeren (Van)	28.6	+0.2
Pakhoed	73	+1
Philips	57.8	+0.6
Robeco	72.6	+0.4
Rodamco	166.9	+0.1
Rolinco	66.2	+0.8
Rorento	45.6	-0.2
Royal Dutch	177.8	+1.7
Unilever	333.2	+4.8
VMF Stork	145.2	+0.2
VNU	220.3	+1.8
West Utr Bank	112.0	+2.5

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

NORWAY

Jan. 21	Price Kroner	+ or —
Bergens Bank	162.5	-1.5
Borregaard	383	+15
Christiania Bank	161	......
DenNorske Cred	166	+1
Elkem	138	+6
Kvaerner	170	-2.5
Norsk Data	395	-2.5
Norsk Hydro	109	+1.6
Storebrand	235	......

SPAIN

Jan. 21	Price Pts%	+ or —
Bco Bilbao	313	-1
Bco Central	310	......
Bco Exterior	200	-1
Bco Hispano	164	......
Bco Popular	382	-6
Bco Santander	333	......
Dragados	166	-4
Hidrola	69.7	+0.5
Iberduero	91.7	+0.7
Petroleos	161.5	-3.0
Telefonica	113.5	+2.8

SWEDEN

Jan. 21	Price Kronor	+ or —
AGA	365	-3
Alfa-Laval	204	-1
ASEA (Free)	345	-5
Astra (Free)	425	+5
Atlas Copco	112	-2
Cardo (Free)	285	+4
Cellulosa	136	-1
Electrolux B	266	+2
Ericsson	263	-3
Esselte	320	......
Mo Och Domsjo	280	-6
Pharmacia	200	......
Saab Scania Free	465	+6
Sandvik	380	-5
Skandia	275	+4
Skan Enski'da	59	......
SKF	190	......
St Kopparbergs	163	-7
Sven Handlesbn	195	......
Swedish Match	259	+10
Volvo B (Free)	265	......

SWITZERLAND

Jan. 21	Price Frs.	+ or —
Alusuisse	765	-8
Bank Leu	3,750	-20
Brown Boveri	1,500	-10
Ciba Geigy	2,680	+30
do. (Part Certs)	2,135	-15
Credit Suisse	2,380	......
Elektrowatt	2,735	-10
Fischer (Geo.)	635	-10
Hoff-RochePtCts	98,500	-1575
Hoff-Roche 1/10	9,875	-125
Jacobs Suchard	6,490	-10
Jelmoli	2,000	+10
Landis & Gyr	1,655	-5
Nestle	5,880	-30
Oer-Buehrle	1,395	-5
Pirelli	256	+1
Sandoz (Br)	775	......
Sandoz (PtCts)	1,218	-2
Schindler (PtCts)	685	-15
Sika	1,110	-10
Surveillance	4,100	-20
Swissair	1,070	-10
Swiss Bank	363	-2
Swiss Reinsce	9,475	+100
Swiss Volksbk	1,485	-5
Union Bank	3,675	-15
Winterthur	3,670	+10
Zurich Ins	19,600	-50

AUSTRALIA

Jan. 21	Price Aust $	+ or —
ANZ Group	5.36	+0.08
Alliance Oil Dev	1.05	......
Ampol Pet	1.75	-0.01
Ashton	0.76	-0.02
Aust Cons Ind	1.96	......
Aust. Guarantee	2.7	+0.02
Aust. Nat. Inds	2.46	+0.02
Aust. Paper	2.42	-0.06
Bell Group	4.75	-0.1
Bell Res	4.45	......
Bond Corp Hldgs	1.31	+0.01
Boral	3.2	-0.05
Bougainville	1.8	......
Brambles Inds	3.7	-0.02
Bridge Oil	2.23	-0.02
B.H. Prop	5.1	-0.02
CRA	5.3	+0.04
CSR	2.75	-0.05
Carlton Utd	4.30	......
Castlemaine Tys	4.34	+0.04
Coles (C.J.)	4	......
Comalco "A"	2.25	+0.07
Consolidated Pet	0.49	......
Costain Aust	1.52	-0.05
Dunlop Aust	2.06	+0.04
Elders IXL	3.03xc	+0.02
Energ Res	1.45	+0.05

AUSTRALIA (continued)

Jan. 21	Price Aust. $	+ or —
Gen Prop Trust	2.22	+0.02
Hardie (James)	3.04	......
Hartogen Energy	2.22	......
Herald W'yTimes	3.78	+0.03
ICI Aust.	2.22	+0.07
Jimberlana F.P.	0.32	-0.02
Kia Ora Gold	0.11	......
Lend Lease	5.4	+0.04
MIM	2.53	+0.03
Mayne Nickless	3.15	-0.05
Myer Emporium	1.78	+0.03
Nat. Aust. Bank	3.65	-0.03
News	12.0	-0.5
Nicholas Kiwi	5.18	......
North Bkn Hill	2.22	+0.04
Oakbridge	0.66	-0.01
Pancont'l	0.95	......
Pioneer Conc	1.7	......
Poseidon	2.9	+0.15
Queensland Coal	1.18	+0.02
Reckitt & Coln.	3.1	......
Repco	1.16	......
Santos	5.24	+0.04
Smith (Howard)	3.6	......
Thos. Natwide	1.28	+0.02
Tooth	5.8	......
Vamgas	5.05	......
Western Mining	2.9	+0.03
Westpac Bank	3.5xr	+0.02
Woodside Petrol	0.85	-0.02
Woolworths	2.98	+0.08
Wormald Intl	3.22	-0.03

HONG KONG

Jan. 21	Price H.K.$	+ or —
Bank East Asia	24.5	-0.4
Cheung Kong	13.1	-0.3
China Light	14.1	-0.4
Evergo	1.42	......
Hang Seng Bank	47.75	-0.75
HK Electric	7.35	-0.1
HK Kowloon Wh	5.7	......
HK Land	4.47	+0.07
HK Shanghai Bk	9.05	......
HK Telephone	68.0	-1.5
Hutchison Wpa	19.0	-0.3
Jardine Math	9.4	+0.15
New World Dev	5.7	+0.15
Orient O'seas	2.72	-0.03
Oseas Trust Bk	2.8	-0.07
SHK Props	9.6	+0.1
Shell Elect	2.0	......
Swire Pac A	24.8	-0.5
TV—B	5.7	-0.15
Wheel'k Mard A	4.3	+0.05
Wheel'k M'time	1.1	......
World Int. Hldgs	1.9	-0.07

JAPAN

Jan. 21	Price Yen	+ or —
Ajinomoto	1,110	......
Alps Electric	2,100	+50
Amada	1,190	+10
Asahi Chem	681	-12
Asahi Glass	910	+4
Bridgestone	645	-14
Canon	1,400	+10
Casio Comp	1,850	+150
Chugai Pharm	1,060	+20
Citizen	691	+6
Daiei	630	......
Dai Nippon Ptg	970	......
Daiwa House	558	-2
Ebara	347	-5
Eisai	1,560	+10
Fanuc	11,060	+60
Fuji Bank	1,380	+10
Fuji Film	1,820	+60
Fujisawa	1,080	+70
Fujitsu	1,370	+10
Green Cross	1,670	-20
Hasegawa	363	+3
Heiwa Real Est	662	-5
Hitachi	879	+3
Hitachi Credit	1,150	+30
Honda	1,350	+20
House Food	710	+10
Hoya	2,230	-50
Itoh (C)	375	......
Ito. Yokado	2,580	-20
Iwatsu	1,450	-20
JACCS	353	......
JAL	6,360	+10
Jusco	731	......
Kajima	277	-3
Kao Soap	849	+1
Kashiyama	621	-4
Kirin	558	-5
Kokuyo	945	+3
Komatsu	474	+8
Konishiroku	683	+5
Kubota	328	-2
Kumagai	537	-2
Kyoto Ceramic	7,060	+70
Maeda Const	472	-1
Makino Milling	1,300	+30
Myakita	1,110	-10
Marubeni	326	+5
Marudai	570	+10
Marui	1,050	......
MEI	1,610	+30
M'ta Elec Works	646	+1
M'bishi Bank	1,390	-10
M'bishi	545	-4
M'bishi Elec	402	-1
M'bishi Estate	600	-5

JAPAN (continued)

Jan. 21	Price Yen	+ or —
MHI	252	-1
Mitsui Co	342	-5
Mitsui Estate	690	-9
Mitsukoshi	329	-2
NGK Insulators	545	-5
Nihon Cement	227	......
Nippon Denso	1,360	......
Nippon Elect	1,210	......
Nippon Express	341	-1
Nippon Gakki	1,730	-10
Nippon Kokan	140	-2
Nippon Oil	863	-6
Nippon Seiko	685	-5
Nippon Shimpan	580	-3
Nippon Steel	152	......
Nipppon Suisan	333	+1
NTV	13,370	-120
Nippon Yusen	246	......
Nissan Motor	612	-1
Nisshin Flour	500	......
Nisshin Steel	170	+2
Nomura	945	-5
Olympus	1,180	-20
Orient Leasing	3,330	......
Pioneer	3,270	-180
Renown	641	-9
Ricoh	950	+6
Sankyo	975	+5
Sanyo Elect	471	-11
Sapporo	406	+1
Sekisui Prefab	566	-4
Seven-Eleven	9,000	......
Sharp	1,110	......
Shimadzu	840	+16
Shionogi	690	......
Shiseido	1,110	......
Sony	4,000	-130
Stanley	918	-8
S'tomo Bank	1,740	+10
S'tomo Elect	939	-6
S'tomo Marine	683	-2
S'tomo Metal	149	-1
Taihei Dengyo	498	......
Taisei Corp	201	......
Taisho Pharm	1,030	+20
Takeda	780	+15
TDK	5,410	+60
Teijin	438	-7
Teikoku	653	......
Tokyo Marine	742	-22
TBS	850	-4
Tokyo Elect Pwr	1,680	+10
Tokyo Gas	166	-2
Tokyo Sanyo	720	+8
Tokyo Style	760	......
Tokyu Corp	323	-7
Toppan Print	889	-1
Toray	457	-1
Toshiba Elect	422	-3
TOTO	695	-4
Toyo Seikan	647	......
Toyota Motor	1,290	+20
Victor	2,180	+80
Wacoal	735	+9
Yamaha	745	-32
Yamanouchi	2,710	-20
Yamazaki	630	......
Yasuda Fire	335	-2
Yokogawa Bdge	440	+5

SINGAPORE

Jan. 21	Price $	+ or —
Boustead Hldgs	1.51	-0.02
Cold Storage	2.5	-0.02
DBS	5.55xa	......
Genting	4.94	+0.04
Haw Par. Bros	1.9	-0.01
Hong Leong Fin.	2.87	-0.03
Inchcape Bhd	2.46	-0.02
Keppel Shipyard	1.41	-0.01
Malay Banking	6.4	......
Malay Utd. Ind	2.26	-0.04
Multi Purpose	0.98	+0.07
OCBC	8.6	-0.1
OUB	3.64	......
Public Bank	1.64	-0.02
Sime Darby	1.67	-0.01
Singapore Press	6.25	......
Straits Trdg	4.22	-0.02
Tat Lee Bk	2.71	-0.02
UOB	4.18	-0.02

SOUTH AFRICA

Jan. 21	Price Rand	+ or —
Abercom	1.2	+0.05
AE&CI	7.45	-0.05
Anglo Am Coal	42	+0.5
Anglo Am Corp	25.4	-0.45
Anglo Am Gold	188.0	+1
Barclays Bank	15	......
Barlow Rand	10.85	+0.05
Buffels	77	......
CNA Gallo	2	......
Currie Finance	3.5	-0.65
De Beers	8.8	-0.05
Driefontein	54.75	-0.5
FS Geduld	52.5	......
Gold Fields SA	29.25	......
Highveld Steel	4.38	+0.18
Nedbank	10.4	+0.15
OK Bazaars	14.25	......
Protea Hldgs	1.38	+0.08
Rembrandt	30.75	+0.25
Rennies	12.98	......
Rust Plat	16.9	-0.1
Sage Hldgs	6.75	......
SA Brews	6.65	......
Smith (CG)	21.5	......
Tongaat Hulett	6.6	+0.1
Unisec	4.65	+0.05

CANADA

TORONTO

Prices at 2.30pm January 21

Sales | Stock | High | Low | Close | Chng

[illegible]

MONTREAL

Closing prices January 18

[illegible]

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Stock | Sales (Hnds) | High | Low | Last | Chng

[illegible]

Continued on Page 38

LONDON

Chief price changes
(In pence unless otherwise indicated)

RISES

Tr 12pc 1995	£101⅞	+⅞
Tr 2½pc IL 2020	£92¼	+1
Adwest	182	+9
Ansbacher (H.)	85	+5
Brammer	312	+16
BP	495	+7
Britoil	215	+15
Bunzl	483	+40
Christies Intl	496	+26
Cookson	519	+22
Electronic Mach	30	+6
Fleet Hldgs	262	+20
Goldsmiths	212	+18
Horizon Travel	140	+16
Lonrho	171	+8
Metal Box	392	+10
Milford Docks	59	+4
Plessey	206	+8
Renishaw	388	+12
Shell Trans	695	+12
Smith (W. H.) A	220	+16
United Ceramic	63	+10
Warrior Res	55	+8

FALLS

BTR	675	-11
Barratt Develop	78	-8
Gestetner A	97	-8
Neill (James)	135	-22
P. & O. Defd.	405	-8
Real Time Cont	93	-12

AMERICAN STOCK EXCHANGE PRICES

12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close

Continued from Page 29

[illegible]

NEW YORK PRICES

Continued from Page 29

[illegible]

LONDON STOCK EXCHANGE

MARKET REPORT

Equity run continues and index stays above 1,000

Index-linked Gilts wanted

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jan 14	Jan 24	Jan 25	Feb 4
Jan 28	Feb 7	Feb 8	Feb 18
Feb 11	Feb 21	Feb 22	Mar 4

* "New-time" dealings may take place from 9.30 am two business days earlier.

The institutions took time off yesterday after last week's buying foray which culminated with the FT Ordinary share index breaching 1,000 for the first time. Widespread coverage given to Friday's late excitement and to the London equity market's record-breaking run in general, however, aroused considerable interest from smaller investors.

Some private clients decided to realise the often substantial profits built up recently, while others opted to commit fresh funds to equities. Shares recommended in the weekend financial columns were particularly sought, along with a host of secondary and situation stocks. The outcome was a fairly busy early session with buyers having a slight edge over sellers. The index reflected this by moving to a new inter-day record of 1,006.2.

Underpinning sentiment was the accelerating drift back to work in the coal fields—it was reported that yesterdays day shift total of new faces was the second highest yet—and fresh talks between NCB and NUM officials. Also reinforcing the tone was sterling's maintained stability, and foreign exchange market uncertainty over the dollar's short-term trend. The latter followed reports of Federal Reserve intervention late on Friday.

Trade fell off around midday and values began to ease before hardening again late in unison with Wall Street, which rose several points soon after the opening. The FT index subsequently reduced a fall of 2.5 at 3.00 pm and closed only 0.5 down at 1,003.9.

Gilt-edged securities improved, although the undertone remained basically sensitive. Index-linked stocks came back into fashion and the authorities sold the remaining supply of Treasury 2½ per cent 2011 at 101½. The Government broker also furnished stock of Treasury 2½ per cent 2001 at 98½ and 98¾ before withdrawing. Other index-linked stocks responded to close with gains stretching to a full point. Conventional longer Gilts also went better but rises of ½ were eventually pared to around ¼, and sometimes less.

H. Ansbacher rise

Reflecting demand late on Friday, Henry Ansbacher opened higher at 80p and attracted fresh support to close 5 higher at 85p in the wake of the resignation of managing director, Mr Charles Williams; Pargesa, a Swiss financial group and its related company, Groupe Bruxelles Lambert of Belgium, own a near-30 per cent stake in Ansbacher. The major clearers plotted an irregular course in thin trading, but Hire Purchases were inclined harder. Southern Business Leasing continued to reflect the recent impressive results with a gain of 5 at 137p.

Whitworths Food staged a highly successful debut in the Unlisted Securities Market. The shares opened at 128p—well above the placing price of 95p—and enjoyed a brisk two-way business, moving between 138p and 125p before closing at 130p for a first-day premium of 35.

The recent poor weather and rise in interest rates proved too much for housebuilder Barratt Developments which came under renewed selling pressure and fell 6 to 76p; the interim results are due in March. Other leading Building issues settled a shade easier in the absence of fresh support, but secondary issues displayed several bright spots. A. Monk attracted buying on speculation about a possible bid from Davy Corporation which owns a 29.95 per cent stake and the close was 6 up at 126p. I.D.C. moved up 8 to 148p in a limited market; the annual results are due soon. A newsletter recommendation stimulated interest in USM-quoted United Ceramics which gained 10 to 53p, but profit-taking clipped 5 from recently-firm H. J. Baldwin at 35p, and 4 from Tilbury Group, at 120p.

Chemicals continued to trade firmly. Yorkshire added 4 to 68p on talk of a brokers re-rating. ICI, after last week's gain of 28, opened a few pence easier at 782p, but picked up to close unchanged at 786p.

W. H. Smith up again

Marked enthusiasm was again displayed for W. H. Smith which improved 16 to 220p; this represents a three-day advance of 58 mainly attributable to Press suggestions that the company is the bid target of a consortium believed in many circles to be headed by Arthur Guinness. Elsewhere in secondary Stores, buyers came for Goldsmiths, which rose 18 to 212p; the company is understood to be currently making presentations to brokers. Body Shop spurted 35 more in a narrow market to 555p, while country support lifted James Beattie "A" 6 to 112p.

A neglected market of late, Plessey revived to close 8 higher at 206p; the third-quarter figures are expected next month. Other Electrical leaders drifted lower, with Racal closing 4 down at 282p ahead of tomorrow's half-year results. GEC cheapened 4 to 210p and Thorn EMI lost 3 at 450p. Elsewhere, Real Time Control plummeted 12 to 93p on news of the interim profits setback. Acorn Computer came on offer again at 43p, down 8, but Renishaw advanced 12 afresh to 388p on further consideration of recent comment. An investment recommendation lifted Electronic Rentals to 55p before a close of 52p, up 2 on balance, while Dewhurst and Partner "A" closed a few pence dearer at 18p for the same reason. Electronic Machine gained 6 to 50p and Brikat jumped 18 to 303p in a thin market.

Leading Engineers rarely strayed from the previous closing levels. Secondary issues, however, provided a few noteworthy movements. Adwest responded to favourable mention with a rise of 9 to 162p, but James Neill fell 22 to 135p on news that Suter had sold its 11.7 per cent stake in the company. Revived demand in a limited market left Vosper 16 to the good at 196p, while Brooke Tool, reflecting the preliminary figures, rose 3 to 27p. Other smaller-priced issues to make headway included John Brown, 30p, Cronite, 37p, and Camford, 33½p, all around 3 higher.

Foods took a breather after their recent strong run. Associated Dairies gave up 6 to 156p, while profit-taking clipped 5 from Argyll at 280p and 4 from Bejam at 166p. The sector's bid candidates faltered in the absence of any developments. Tate and Lyle softened 5 to 490p, while Rowntree Mackintosh lost 10 to 350p.

News of the group's proposed two-for-one bonus issue lifted Stakis to 188p before the close of 2 firmer on balance at 186p. Norfolk Capital, 2 firmer at 27½p, reflected favourable comment in front of today's annual results. Bid speculation continued to boost Ryan International, up 1¾ more at 26½p.

Christies Int. good

Leading miscellaneous industrials took on a mixed appearance. Glaxo continued to attract buyers and put on ⅜ more to £12¼, the rise being accompanied by talk of a broker's upgraded profits forecast for the company. Metal Box also found support at 392p, up 10, along with Reed International, which gained 14 to 572p. BTR, in contrast, ran back 11 to 675p, after last Friday's sharp rise which followed the bid for Dunlop. Reckitt and Colman gave up 8 at 540p and losses of a few pence were recorded in Beecham, 377p, and Boots, 186p. Elsewhere, Christies International, reflecting its overseas earning potential, were supported and closed 26 to the good at 486p. Hopes of a bid from Bunzl left H. Bramer 16 higher at 312p, after 320p. Metal Closures rose 10 to 158p. Weekend Press mention prompted a rise of 6 to 84p in Holt Lloyd and a gain of 5 to 115p in UKO International. Gestetner A, a good market since the results and enfranchisement proposals, reacted 8 to 97p on suggestions of a possible rights issue. Cookson advanced 22 to 510p and British Aerospace were noteworthy for a rise of 10 to 360p. Speculative buying left Burns Anderson 6 dearer at 50p, but Evode ran back 5 to 113p, after 111p, on disappointing preliminary figures. Restmor gave up 5 at 110p following the half-year results.

Pleasurama attracted support following its agreed bid for Trident TV and rose 10 to 398p. Horizon Travel gained the same amount to 140p assisted by option demand. Elsewhere in the Leisure sector, Capital TV Facilities firmed 2 to 73p in reply to the good interim figures and cheerful statement.

Dunlop remained an active market following the rejection of BTR's surprise cash or share exchange offer. The shares touched 38½p amid speculation of an increased BTR bid or rival offer before reacting on profit-taking to finish only a fraction harder on the day at 36½p; the preference advanced 7 further to 80p. American takeover hopes continued to boost Lucas Industries, up 6 at 264p. Elsewhere in Motors, current U.S. favourite, Jaguar advanced 5 further to 302p.

Publishers responded to widespread weekend Press comment highlighting asset values and the prospect of rationalisation within the sector. Foremost on this front was Fleet Holdings which spurted 20 more to 262p, after 266p, amid hopes of an eventual bid from United Newspapers; the latter, which last week acquired Pergamon's holding in Fleet, closed unchanged at 318p, having dipped to 308p earlier in the sessions following the agreed purchase of Miller Freeman Publications of San Francisco. Associated Newspapers continue still reflecting the impressive preliminary figures, closed 10 to the good at 660p, after 695p. Daily Mail A, up to £11¾ earlier, settled a net ¼ higher at £11⅜. Bunzl provided an outstanding feature, rising 40 to 483p, the profit and dividend forecasts eclipsing the proposed £54.6m rights issue.

Secondary issues provided the noteworthy movements in Properties. Renewed demand in a restricted market lifted Rosehaugh 20 to 695p, while comment on the recent results and proposals to by back its own shares prompted fresh support for County Properties, which gained 8 more to 122p.

P & O Deferred, an exceptionally buoyant market since the details of the proposed merger with Sterling Guarantee Trust were revealed last Monday week, encountered profit-taking and dipped to 401p before settling a net 8 off at 405p, SGT eased 3 to 75p, after 74p. Elsewhere in Shippings, attention centred on Milford Docks which attained a new 1984-85 peak of 61p before closing a net 4 up at 59p; it was announced late on Friday that a consortium headed by the Marquis of Milford Haven had signed an option to acquire, by March 31 of this year, N. G. Investment's near-30 per cent holding.

A Press suggestion that Hanson Trust had built up a possible 4 per cent stake in Courtaulds prior to launching a full-scale bid, sparked off speculative buying of the latter which touched 152p before closing a net 3 better at 149p. Elsewhere in Textiles, SEET improved a few pence to 159p awaiting today's interim results, while Allied improved the same amount to 326p ahead of Thursday's preliminary figures. Sirdar put on 7 to 132p.

Oils advance

Leading Oils passed a relatively quiet morning session but sprang to life during the afternoon when a flurry of overseas-based buying interest gave the sector a boost. The buying coincided with another gradual improvement in crude oil spot prices following the latest atrocious weather in the U.S. BP and Shell were heavily bought after-hours, the latter closing 12 up at 695p and the former 7 better at 495p. Britoil featured with a 15 jump to 215p, helped by a stock shortage, while LASMO touched 358p prior to settling a net 2 higher at 355p amid persistent talk of an imminent bid from Enterprise Oil.

Excitement revived in Lonrho which advanced to a 1984-85 high of 174p before closing a net 6 up at 171p amid rumours, later repudiated, that "The Observer" was up for sale; Lonrho is due to reveal preliminary results on Thursday week.

RTZ below best

Recently-buoyant Rio Tinto-Zinc continued to hold centre-stage in an otherwise subdued mining market; a fresh upsurge in copper prices and talk of a stock shortage boosted RTZ a further 13 to 643p, after 650p, for a 55 gain over the past four trading days. Other London-based Financials were also in demand but generally closed a shade off their best levels.

South African Golds and related issues suffered another low turnover. The bullion price moved in a narrow range prior to closing a net 50 cents up at $307.5 an ounce.

Golds drifted easier with minor selling causing losses of up to a point in the leading heavyweights. The Gold Mines index showed a 2.6 decline at 463.7.

Minorco attracted U.S. and Cape buying interest ahead of expected results from the 22 per cent-owned U.S. investment group Philbro-Salomon and added 20 more at 620p.

Demand for Traded Options subsided slightly with total contracts struck amounting to 13,808. Another lively two-way business was transacted in British Telecom, which attracted 2,023 calls and 1,661 puts. Jaguar also retained operators' interest with 2,543 calls struck, 1,341 in the March 300's. Courtaulds and Commercial Union recorded 948 and 620 calls respectively.

FINANCIAL TIMES STOCK INDICES

	Jan. 21	Jan. 18	Jan. 17	Jan. 16	Jan. 15	Jan. 14	year ago
Government Secs.	80.20	80.06	79.73	80.17	79.97	79.91	82.74
Fixed Interest	84.14	83.98	83.69	84.05	83.90	84.12	87.14
Ordinary	1003.9	1004.4	987.2	981.3	961.8	949.3	814.9
Gold Mines	463.7	466.3	462.4	460.4	460.1	465.8	541.3
Ord. Div. Yield	4.32	4.33	4.38	4.41	4.50	4.55	4.41
Earnings, Yld.% (full)	10.80	10.83	11.04	11.11	11.35	11.50	9.26
P/E Ratio (net) (*)	11.11	11.09	10.88	10.81	10.58	10.42	13.22
Total bargains (Est.)	23,861	26,809	25,560	26,152	29,575	32,776	29,566
Equity turnover £m.	—	437.92	500.42	574.31	436.59	515.41	261.17
Equity bargains	—	25,279	25,132	23,849	23,964	29,623	26,058
Shares traded (ml)	—	244.9	260.7	268.3	218.2	256.6	159.6

10 am 1006.2. 11 am 1005.3. Noon 1002.5. 1 pm 1001.9. 2 pm 1002.3. 3 pm 1001.9.

Basis 100 Govt. Secs. 15/1/28. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil=10.76.

HIGHS AND LOWS

—	1984/85 High	1984/85 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.77 (9/1/84)	76.72 (30/7/84)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.48 (14/3/84)	80.43 (30/7/84)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1004.4 (18/1/85)	755.3 (25/7/84)	1004.4 (18/1/85)	49.4 (26/6/40)
Gold Mines	711.7 (9/3/84)	445.3 (7/1/85)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	Jan. 18	Jan. 17
Daily Gilt Edged Bargains	162.3	149.1
Equities Bargains	163.8	162.8
Equities Value	885.1	1011.5
5-day Average Gilt Edged Bargains	175.2	174.4
Equities Bargains	165.7	175.6
Equities Value	996.3	1045.3

NEW HIGHS AND LOWS FOR 1984/85

NEW HIGHS (256)

BRITISH FUNDS (1)
AMERICANS (8)
CANADIANS (1)
BANKS (6)
BREWERS (2)
BUILDINGS (4)
CHEMICALS (6)
STORES (10)
ELECTRICALS (8)
ENGINEERING (14)
FOODS (5)
HOTELS (6)
INDUSTRIALS (55)
INSURANCE (7)
LEISURE (2)
MOTORS (5)
NEWSPAPERS (9)
PAPER (4)
PROPERTY (2)
SHIPPING (2)
SHOES (2)
TEXTILES (3)
TRUSTS (86)
OILS (1)
OVERSEAS TRADERS (3)
PLANTATIONS (1)
MINES (3)

NEW LOWS (11)

BUILDINGS (1)
Erith
CHEMICALS (1)
Stewart Plastics
ELECTRICALS (3)
Acorn Computer Real Time Control
CPU Computers
INDUSTRIALS (2)
Cont. Stationery MacLellan (P. & W.)
SHIPPING (1)
Lyle Shipping
TEXTILES (1)
Munton Bros.
OILS (1)
Petrolex
MINES (1)
Deelkraal Gold

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖ Allotment letters or fully-paid. ‖‖ Introduction. ✻ Unlisted Securities Market. § Placing price. T Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). † Comprising 100 Prf. and one Ptg. share.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Jan 21	Feb 1	April 25	May 7
Feb 4	Feb 15	May 9	May 20
Feb 18	March 1	May 30	June 10

For rate indications see end of Share Information Service

Exceptionally lively conditions prevailed in Options. Calls were taken out in Britannia Arrow, Bryson, Norfolk Capital, British Telecom, W. H. Smith A, Kia Ora, Polly Peck, Normans, Atlantic Resources, Mnemos, Horizon Travel, Bluemel Brothers, Barker and Dobson, Brunswick, Combined Technologies, Barratt Developments, Trafalgar House, John Brown, Warrior Resources, General Mining Union Corporation, De Beers Deferred, Chloride, First National Finance, Neill and Spencer, Renold, Electronic Rentals, Falcon Resources, C. H. Bailey, County Properties, Klark-Teknik, Dunlop, Peko-Wallsend, Swife Pacific A, Premier Oil, Braham Millar, Gestetner, Commercial Union, Courtaulds, Benjamin Priest, Boots, Bristol Oil and Minerals, Nimslo, Hawley, ICC Oil and Gas, Delta and Crystalate. Puts were done in Fine Art Developments, British Telecom, Dunlop, Hanson Trust, Prudential, Tricentrol, BL, Amstrad Consumer Electronics and Ultramar. Double options were transcated in Dunlop and Inter-City.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
British Telecom	132	—
Bunzl	483	+40
Christies Intl.	486	+26
DRG	169	+4
Fleet Hldgs.	262	+20
Gestetner A	97	−8
ICI	786	—
Lonrho	171	+6
Metal Box	392	+10
Neill (James)	135	−22
RTZ	643	+13
Smith (W. H.) A	220	+16

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
BTR	39	686	+69
Gestetner A	35	105	+28
Dunlop	21	36	+5
Hanson Trust	19	344	+11
Aspinall	18	128	+18
Smith (WH) A	17	204	+18
Trafalgar Hse.	17	381	+12
Jaguar	16	297	+9
Brit. Telecom	15	132	+3
HK Shng. Bk.	15	102	−3
Powell Duffryn	15	448	+20
Royal Bk Scot	15	246	+18
Burton Group	14	468	+10
Lex Service	14	317	+4

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	77	8	20
Corpns. Dom. and Foreign Bonds	14	11	49
Industrials	394	241	812
Fin. and Props.	182	53	309
Oils	25	20	78
Plantations	3	4	10
Mines	50	39	89
Others	79	46	82
Totals	826	422	1,449

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EUROPEAN OPTIONS EXCHANGE

Series		Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C	$300	—	—	—	—	11	17	$309.10
GOLD C	$325	4	2.20	11	8	—	—	"
GOLD C	$340	—	—	—	—	25	9.90	"
GOLD C	$350	—	—	1	3	—	—	"
GOLD C	$336	—	—	—	—	17	5.60	"
GOLD P	$300	19	3.50	4	8	1	12	"
GOLD P	$320	—	—	—	—	1	19	"

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls Jly.	Puts Jan.	Puts Apr.	Puts Jly.
B.P. (*488)	390	102	107	—	1	2	—
	420	72	78	—	1	4	—
	460	32	43	60	1	12	17
	500	4	25	30	17	30	38
	550	1	10	—	63	75	—

Option		Calls Feb.	Calls May.	Calls Aug.	Puts Feb.	Puts May.	Puts Aug.
Imperial Gp. (*205)	160	48	49	52	1½	3	4
	180	28	31	36	2	5	8
	200	14	20	26	7	12	16
LASMO (*353)	280	78	—	—	1	—	—
	300	58	68	80	4	8	12
	330	36	50	60	10	15	25
	360	15	33	42	23	30	37
Lonrho (*171)	140	32	34	37	1	2½	3½
	160	14	19	21	3	8	9
	180	5	8½	11	14	17	19

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984-85 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
105¾	100⅛	Treas. 15pc 1985	100⅜xd	....	14.97	12.54
102¾	99⅞	Exch. 12pc Cnv. '85	99⅞	....	12.01	12.19
97¾	93⅞	Treas 3pc 1985	97½	+⅛	3.08	10.92
102¾	99½	Treas 11½pc 1985	100⅛	....	11.49	11.30
99¾	96⅞	Treas 8¾pcCnv '85	98⅞	....	8.89	11.38
104⅞	99⅞	Exch. 12¼pc 1985	100⅝	....	12.18	11.43
103⅞	99⅞	Exch. 11¾pc '86	100⅞xd	+⅛	11.71	11.39
102⅞	96⅞	Treas. 10pcCnv 1986	98⅞	+⅛	10.16	11.36
93¾	88¾	Treas 3pc 1986	93½	+⅛	3.22	8.28
102	96¾	Exch. 10½pc Cv '86	99	−⅛	10.61	11.31
104⅞	99⅞	Treas 12pc 1986	100⅞	....	11.90	11.27
98¾	93½	Treas 8½pc 1984-86‡‡	96⅞	−⅛	8.79	11.03
108⅞	102⅞	Exch. 14pc 1986	104⅞	+⅛	13.45	11.27
89⅞	85	Exch. 2½pc 1986	89⅛	....	2.80	9.09
107⅞	100⅞	Exch. 13¼pc 1987	103½xd	....	12.80	11.25
100⅞	94½	Treas 10½pcCv '87	98⅞xd	....	10.41	11.14
87¾	83¾	Exch 2½pc 1987	86⅝xd	....	2.89	9.74
101⅞	94½	Exch. 10½pc 1987	98¾	....	10.67	11.32
92¾	87	Funding 6½pc '85-87‡‡	91⅞	+⅛	7.14	11.05
99¾	92¾	Treas. 10pc 1987	97¼	....	10.28	11.33
86¾	81⅞	Treas 3pc 1987	85⅞	+⅛	3.51	9.71
105	97¾	Treas. 12pc 1987	101⅛	....	11.84	11.38
94⅞	87⅞	Treas 7¾pc 1985-88‡‡	92xd	+⅛	8.42	10.94
100¾	92⅞	Exch 10½pc '88	97⅛	−⅛	10.78	11.47
98⅞	89⅞	Treas 9¾pc Cv '88	95¾	−⅛	10.24	11.42
82⅞	77	Transport 3pc '78-88	81½	....	3.68	9.42
96⅞	88⅞	Treas. 9½pc '88	93¼	....	10.13	11.57
106¾	94⅞	Treas 11½pc 1989	99¾xd	−⅛	11.53	11.59
96⅞	87⅞	Treas 9½pc Cnv. '89	93⅞	+⅛	10.17	11.48
99¾	90⅞	Treas 10½pc 1989	96⅞	....	10.87	11.51
100⅞	88¾	Exch. 10pc 1989	94⅝xd	−⅛	10.57	11.49
101⅞	94¾	Exch 11pc 1989	97⅞	−⅛	11.26	11.62
85¾	77½	Treas 5pc 1986-89	80⅞	+⅛	6.19	10.20
114¾	100⅛	Treas 13pc 1990‡‡	105¾	−⅛	12.31	11.48

Five to Fifteen Years

1984-85 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
110⅞	100¾	Exch. 12¼pc 1990	107⅝	+⅛	12.08	11.59

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COM'WEALTH & AFRICAN LNS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

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INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

INSURANCES

LEISURE

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

MINES—Continued

Diamond and Platinum

Central African

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

OPTIONS — 3-month call rates

Industrials

Property

Oils

Mines

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 35

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

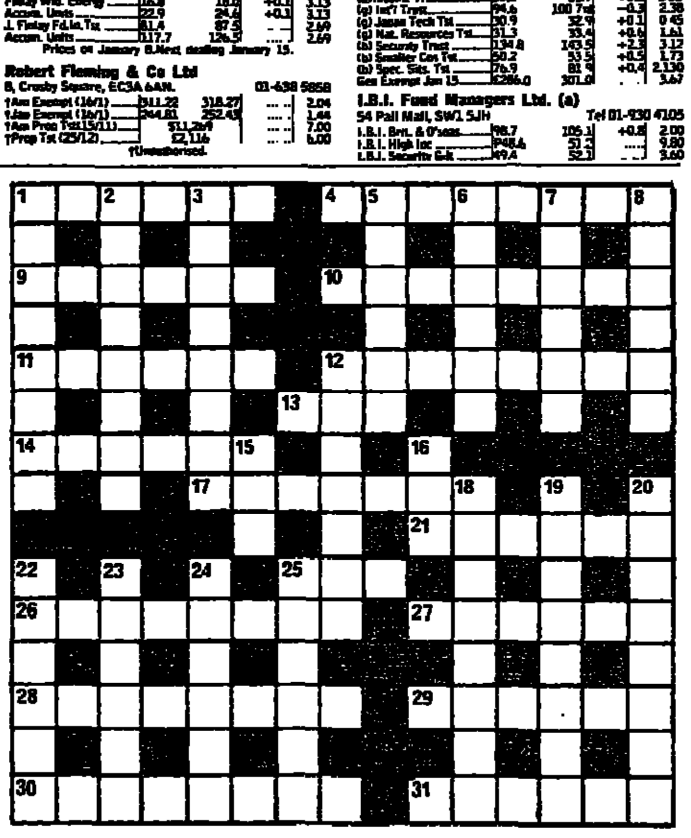
FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

UK Specialist Funds				
Growth Gilt Trust	50.3	51.1	+0.1	1.36
Recovery	74.6	79.6	+0.8	3.16
Smaller Cos.	107.7	114.9	+0.9	1.61
Spec. Mkt. Sits.	74.7	79.7	+0.4	2.72
High Income Funds				
Extra Inc.	50.0	53.3xd	+0.4	8.12
Gilt	25.0	26.3xd	+0.1	10.03
Inc & Growth	149.7	159.7	+1.6	4.71
Nat. High Inc.	144.7	154.3	+1.5	5.95
Pref. Shares	18.0	19.2	+0.1	10.57
Sector Specialist Funds				
Commodity Shares	142.8	152.3	+0.5	2.58
Financial Secs.	34.7	37.0xd	+0.3	2.68
Gold & General	20.3	21.9xd	+0.1	3.31
Intl. Leisure Fd.	11.4	12.2xd	...	—
Prop. Shares	38.6	41.3	...	1.56
Univ Energy	61.8	65.9xd	...	0.45
World Tech	48.8	52.1	+0.5	—
Overseas Funds				
American Growth	85.0	90.7	+0.2	2.36
American Income	52.9	56.4	−0.1	5.76
Am. Smaller Cos.	22.5	24.0	−0.1	0.44
Am. Spec. Sits	71.9	76.7	−0.1	0.82
Australian Growth	79.0	84.3	−0.4	1.61
Far East	42.2	45.0	...	0.55
Hong Kg. Perfmnce	24.8	26.5xd	+0.5	2.54
Intl. Growth	28.0	29.9	+0.1	2.51
Japan Perf. Trust	41.3	44.1xd	+0.3	—
Japan Smllr Co's Tst	12.0	12.8	−0.1	—

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,624



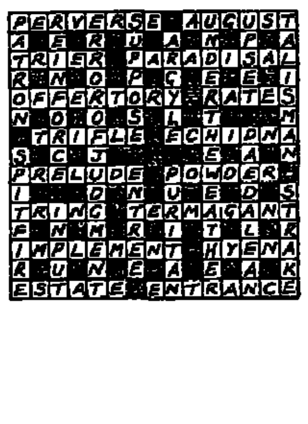
ACROSS

1 The bay of the hounds? (6)
4 Match-box model (4-4)
9 Make a second charge for killing? (6)
10 Everyone present and alert (3, 5)
11 Demonstrates it's in error (4, 2)
12 Goods set out outside for French consumers (8)
13 Its living quarters may be in a heap (3)
14 I grew annoyed about a little pest (6)
17 Dispensed with red tape and came to the point (7)
21 More unfortunate choice in the marriage ceremony (6)
25 A tie in an archery contest? (3)
26 He hoists a flag, but not for the winner (6-2)
27 The last part of Iran converted into oil (6)
28 Pains grip sick Greek hero (8)
29 Attempt to catch food around morning or starve (6)
30 But it's not the *time nothing* happens (4, 4)
31 Stations, or just platforms (6)

DOWN

1 Fool raced around; considerably vexed (8)
2 Laid about a conservative for loitering (8)
3 Calling to Siva in distress? (2, 1, 5)
5 Engage for service: the silent sort? (6)
6 It is twice put up with an old master (6)
7 Visit Geneva, perhaps (6)
8 They happen to find an opening in two quarters (6)
12 Cover of *new* novel breaks a record (7)
15 A fly son of Jacob (3)
16 Go very quietly round the Orient (3)
18 Dejected when given an unimportant role to play? (8)
19 Learning to be a commuter? (8)
20 Les Miserables—or The Turn of the Screw (8)
22 German sub (6)
23 It could get Charon in a fix on the Styx (6)
24 Often drunk: too much is bad for it (6)
25 Ladies' man holding ancient city office (6)

Solution to puzzle No. 5,623



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INSURANCE, OVERSEAS & MONEY FUNDS

Liberty Life Assurance Co Ltd
Station Rd, New Barnet. 01-440 8210
Fund Managers, Touche Remnant & Co.

Ser Sec A	26.1	27.5	—	—
Blue Chip	22.6	23.8	—	—
Fixed Yield	19.6	20.7	—	—
Guaranteed Money	15.9	16.8	—	—
Managed	20.7	21.8	—	—
International	28.4	29.9	—	—
Property	17.2	18.1	—	—
Pacific	22.5	23.7	—	—
Equity	16.5	17.3	—	—
Special Sits	24.7	26.1	—	—
Int Currency	14.0	14.8	—	—
Index Linked Secs.	10.9	11.5	—	—
American	21.9	23.1	—	—

Life Assur. Co. of Pennsylvania
8, New Rd, Chatham, Kent. Medway 812348

LACOP Units	14.30	15.02	—	—

Lloyds Life Assurance
20, Clifton St, EC2A 4HX. 01-920 0202

National Provident Institution
48, Gracechurch St, EC3P 3HH. 01-623 4200

Managed	199.6	210.2	+1.0	—
UK Equity	231.6	243.3	+2.1	—
Overseas Eq.	203.3	214.0	+0.5	—
America	203.0	213.7	+0.1	—
Far East	183.5	193.2	+0.5	—
Property	112.3	118.3	—	—
Fixed Int	159.5	167.9	+0.4	—
Indexed Gilt	104.2	109.7	—	—
Deposit	114.0	120.0	+0.1	—

Pension Fund Prices

Man. Initial	200.8	211.4	+0.9	—
Man Acc.	223.5	235.3	+1.0	—
UK Eq. Initial	218.2	229.7	+1.5	—
UK Eq.	239.5	252.3	+1.8	—
Overseas Eq. Initial	224.2	236.0	+0.8	—
Overseas Eq.	258.2	271.8	+1.0	—
America Initial	228.6	240.7	+0.2	—
America	252.2	265.5	+0.2	—
Far East Initial	235.7	248.2	+0.7	—
Far East	260.7	274.5	+0.9	—
Prop. Initial	108.2	113.9	—	—
Prop.	119.3	125.6	—	—
Fixed Int. Initial	142.7	150.3	+0.4	—
Fixed Int.	154.8	163.1	+0.4	—
Indexed Gilt Initial	97.6	102.8	—	—
Indexed Gilt	107.7	113.4	—	—
Deposit Initial	112.6	118.6	—	—
Deposit	124.8	131.4	+0.2	—

NPI Pensions Management Ltd.

Managed Fund	536.4	590.2	—	—

Prices Jan 2. Next dealing February 1

New Zealand Insurance PLC
110/114, Baxter Avenue, Southend. (0702) 344555

Kiwi Key (Managed)	369.5	380.7	—	—
UK Equity	169.9	178.9	+0.2	—
American	260.8	274.5	−0.2	—
Pacific	389.6	410.1	−1.5	—
Property	153.1	161.1	—	—
Gilt	177.2	186.5	—	—
High Inc. Equity	159.6	168.0	+0.4	—
High Inc. Fxd. Int.	170.0	106.3	−0.2	—
Deposit	149.9	157.8	—	—
Index-Linked Gilt	102.3	107.7	+0.4	—

Norwich Union Insurance Group
PO Box 4, Norwich NR1 3NG. 0603 22200

Save & Prosper Group
28, Western Rd, Romford RM1 3LB.

Schroder Life Assurance Ltd.
Enterprise House, Portsmouth.

OFFSHORE AND OVERSEAS

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$12.57	—	+0.02	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Wren Commodity Management Ltd.
10, St George's St, Douglas IoM. 0624 25015

Wren Com. Fund	12.7	13.5	—	3.10
Chinese Fund	58.8	61.2	—	1.70
Precious Metal Fund	71.4	74.3	—	8.30
Vanguard Cmdy. Fd.	20.3	20.9	−1.2	0.00
Financial Futures Fd.	32.5	33.8	—	—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Dynamic Grth Fd	$9.01	—	+0.09	—

Money Market Trust Funds

	Nom	Apr	Int. Cr	Notice
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	11.45	11.81	6-mth	Call
7-day Fund	10.05	10.33	6-mth	7-day
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fund	11.52	11.85	6-mth	Call
7-day Fund	9.98	10.22	6-mth	7-day
Money Mngt. Acct.	11.25	11.73	3-mth	Call
Dollar	7.00	7.21	6-mth	2-day

Money Market Bank Accounts

	Nom	APR	Int. Cr	Notice
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc.	11.25	11.73	Qtr	Call
Mth. Int. Chq.	11.00	11.57	Mth	Call
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc.	11.25	11.85	Mth	Call
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	11.00	11.46	Qtr	Call
Britannia Grp of Investment Companies 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	11.25	11.85	Mth	Call
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	11.25	11.849	Mth	Call
U.S. Dollar	8.00	8.300	Mth	Call
German Marks	5.0	5.116	Mth	Call
Swiss francs	2.0	2.018	Mth	Call
Japanese Yen	5.0	5.116	Mth	Call
Co-operative Bank 78-80 Cornhill EC3 01-626 6543 Ex 464				
Under £1,000	10.00	10.38	Qtr	Call
Over £1,000	12.00	12.55	Qtr	Call
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc.	11.50	11.97	Qtr	Call
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	11.25	11.85	Mth	Call
Lombard North Central PLC 17 Bruton St, W1A 3DH. 01-409 3434				
Notice Dep	11.50	11.83	Rate	14-day
M & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
High Int Cheque Acc	11.50	12.18	Daily	Call
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq	11.35	11.78	Qtr	Call
Provincial Trust (formerly Choulartons) 30 Ashley Rd, Altrincham, Cheshire, WA1 2DW 061-928 9011				
Cheque Acc.	11.75	12.40	Mth	Call
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
High. Int. Bk. Acc.	10.88	11.50	Daily	Call
Premier Acc.	10.88	11.50	Daily	Call
Tyndall & Co 29-33 Princess Victoria St, Bristol BS8 4BX. 0272 732241				
Demand Acc.	11.62	12.14	Qtr	Call
Money Acc.	10.00	10.38	Qtr	Chq/7
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc.	11.40	12.01	Mth	Call
Over £10,000	11.65	12.29	Mth	Call

NOTES:—Interest rates given both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. φ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◊ Yield column shows annualised rates of NAV increase.

COMMODITIES AND AGRICULTURE

Brazil halts coffee deals with China and Morocco

BY ANDREW WHITLEY IN RIO DE JANEIRO

THE STATE-RUN Brazilian Coffee Institute has cancelled two controversial export deals, ostensibly destined for China and Morocco, restoring a measure of calm to the troubled *Brazilian coffee export market.*

A statement from the IBC on Thursday said it had ended negotiations begun last November with Sofigest, a *Geneva-based subsidiary of the* Italian Bozzo group, for the export of 100,000 bags of coffee to China.

It said the decision had been taken because of Sofigest's failure to meet its deadline of last Monday, by which time the trading company had to prove the Chinese Government's interest in the purchase and meet certain other guarantees required by the IBC.

Another export contract, of 100,000 bags for Morocco, was also cancelled, after the Brazilian trader concerned withdrew its application to the IBC.

News of the two deals caused a furore among Brazilian coffee traders because they had apparently not been conducted through the IBC's normal channels. The transactions involved exceptionally heavy *discounts—taking prices well* below the normal levels offered to non-members of the International Coffee Organisation—and, in the case of China, a free bonus *of 12,000 bags "for promotional purposes."*

Both Sr Murillo Bardaro, the Industry and Commerce Minister, and Sr Alcisio Garcia, the IBC president, had publicly defended the deals in the face of angry criticism from the commercial association of Santos, grouping most Brazilian coffee traders.

The Santos traders claimed that "the China deal" was a triangular operation, in which the real destination was to have been a third country. They claimed the benefits from the incentives on offer would have gone to the intermediaries in the sale.

Export business at Santos has been almost at a standstill for the past few weeks as the dispute has raged. Also *responsible has been a steady* rise in the domestic price of coffee, reducing the attractiveness of export sales.

At the end of last week, high *grade coffee was being quoted* in Santos at between Cr 450,000 and Cr 470,000 ($133 to $139 at the prevailing rate) per 60 kilo bag, about $5 a bag above the price of equivalent grade Colombian or Central American coffee.

Aggravating the climate between the IBC and the privately owned traders has been the recent decision of the state institute to transfer part of the coffee available to the trading houses to producer co-operates. The Santos association has also *complained that* the IBC is favouring a small group of big companies over the allocation of export quotas.

European farm unions seek 5% price rise

By Ivo Dawnay in Brussels

COPA, the confederation of EEC farm unions, has called on the European Commission to seek a 4 to 5 per cent average price rise for Community agricultural produce in the March price fixing.

The demand, modest by Copa's standards, is all the more remarkable for its abandonment of the organisation's usual request for the increase to be based on the principle that farm incomes must be maintained.

Copa assesses that under this so-called "objective method" the price rise would have to be in the region of 7.8 per cent. Its decision not to pursue this scale of increase indicates that the far mlobby has all but accepted publicly that further restraint of the EEC's farm budget is inevitable.

Draft price proposals leaked from the Commission this month suggest officials are seeking a neutral price package this year with some increases for dairy products but cuts for grains. Last year, Copa sought a rise of about 8 per cent but had to settle for an average *increase in national income* terms of about 3.3 per cent.

Catering to a health-conscious

EVERYONE is becoming food conscious these days, and health foods are booming, particularly those that can be said to be naturally, or organically grown, that is without the benefit of inorganic, wrongly called artificial fertilisers; and of course *without poisonous sprays.* There is a strong demand for free range eggs, outdoor pork and humanely fattened veal.

At the same time Mr Teddy *Taylor, Tory MP for Southend,* is attacking what he calls the excessive use of pitrates on farm land. Some water supplies, he claims, are already *polluted by nitrates,* to double the extent permissible under the World Health Organisation's rules. He suggests that much of the nitrogen is responsible *for the EEC's food mountains,* and that farmers should either use less, or pay for the cost of cleaning up the water with a tax on nitrogen.

It is true any restriction of nitrogen use would have a significant effect on food production in Western Europe and also in the rest of the world. Its use has been responsible for the vastly increased cereal yields in India, China, Japan and many other densely populated countries.

All the evidence so far is *that the use of this fertiliser* has been most beneficial to feeding mankind. The fact that there are food shortages in some areas and surpluses in others, is not the fault of using nitrogen but of the fundamental inefficiency of the world's economic system. The extent of the damage to health through nitrates in the water supply is not yet proven. The question should be examined and dealt with because feeding the increasing world population depends on its continued use.

Nitrogen fertiliser can be replaced by natural means in the soil. Some can come from decaying vegetation, from farmyard manures or from nitrogen-forming plants such as the clovers. The lush New Zealand *dairy pastures get their nitro*gen from wild white clover which creates nitrogen in root nodules and releases it to the grass.

I have tried to grow grass on this system but the trouble is that the nitrogen-forming process is dependent on the intensity of sunlight. It does *not start* here until *nearly* midsummer whereas in New Zealand it starts in the spring. Without bag nitrogen UK grazing pasture productivity would most probbaly be about a third of what it can be today..

The same applies to cereal crops. The so-called Green Revolution wheats which have been responsible for vast production increases in ouput in subtropical areas, were designed to make the utmost use of fertiliser, especially nitrogen. Research into breeding cereals *which make their own nitrogen,* as do the clovers, has so far had no result.

It is possible to grow crops of legumes—peas and beans for instance—without bag nitrogen but theses need adequate supplies of phosphate and possibly potash. Phosphate has a mineral base, usually broken down by sulphuric acid into superphosphate or it can come from basic slag, a by-product of steelmaking. For some reason the organic school do not like superphosphate, but accept basic slag or the untreated phosphate rock, both of which are *slow acting,* particularly in dry soils.

Superphosphate fertiliser is essential because the production of animals, milk and general crops removes phosphates from the soil and they have to be replaced. It is possible to feed the land by using manure from intensively fed livestock, or composting crop residues but these are not really practical alternatives to the use of inorganic fertilisers. I have yet to see an organic farming system which compares favourably with one using fertilisers in output terms.

There is even less evidence that eating food produced with the aid of inorganic fertilisers is bad for you. I doubt if there is any difference in taste or nutritive value between foods grown under the different systems. Blindfolded the consumer would have no idea *which to choose.*

But if he knew its origin his prejudices would make the choice regardless of anything else. But this is a point of view

Farmers' Viewpoint: by John Cherrington

Aluminium price climbs to nine-month record

BY RICHARD MOONEY

ALUMINIUM PRICES on the London Metal Exchange yester*day continued last week's strong* bull trend with a cash quotation climbing above £1,000 a tonne for the first time since last March.

That was in the "official" morning ring when the price closed at £1,001.25 a tonne. Profit-taking in the afternoon trimmed values and cash metal ended the "unofficial" afternoon ring at £998 a tonne, still up £6 on the day.

The early rise was encouraged by expectations that the International Primary Aluminium *Institute's (IPAI) December* report would show a cut in production following a spate of plant closures prompted by low prices towards the end of last year.

When it came the report did show a fall in output, but a somewhat smaller one than had been expected.

Disappointment that copper stocks did not continue their recent fall temporarily halted the uptrend in that metal. The market opened quite firm but moved down sharply after the stocks announcement. Renewed buying and covering against earlier short sales rallied prices in the afternoon, however, and the cash high grade quotation ended the day £6 up on balance at £1,246.50 a tonne.

The cash zinc price ended at a 10-year high of £730.50 a tonne, up £12 on the day, encouraged by a fall in LME stocks, the rises in copper and aluminium, and the threat of a strike at Peru's Cajamarquilla refinery.

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Changes for week ending Jan 18)

Aluminium	+575 to 144,300
Copper	+3,175 to 122,650
Lead	+2,025 to 47,500
Nickel	−606 to 6,804
Tin	−420 to 21,995
Zinc	−1,175 to 29,000
	(tonnes)
Silver	−164,000 to 52.77m
	(ounces)

Fisheries logbooks distributed

By Andrew Gowers

BRITAIN yesterday set in train the distribution of fishery logbooks and landing declarations in order to improve policing of catches under the EEC's Common Fisheries Policy.

Under the new system, which was agreed by Community fisheries ministers last month and which comes into force in April, all vessels more than 10 metres long will be required to declare landings of fish species subject to quotas, detailing quantities caught and the area of capture.

Larger vessels and ships on voyages longer than 24 hours will in addition have to fill in logbooks recording their daily fishing activities.

Mr Michael Jopling, the Agriculture Minister, said: "This is something which we have been urging for many months as a means of improving enforcement of the Common Fisheries Policy.

Orange juice futures hit

REPORTS THAT a severe frost *had caused heavy damage in* Florida's citrus groves pushed frozen orange juice futures prices up the 5 cents a lb permissible daily limit on the New York *market* yesterday morning.

With another hard frost forecast for last night the prices were confidently expected to remain locked in at the limit all day.

Last year's Florida crop was cut sharply by a frost which struck on Christmas Day, 1983. As a result processors were forced to pay 75 per cent more on the world market for their supplies and most of the rise was passed on to consumers.

Temperatures in the Florida citrus belt on Sunday night ranged from —3C in the south down to —13C in the north.

EEC wine to be compulsorily distilled

BY IVO DAWNAY IN BRUSSELS

EEC wine makers producing high yields face compulsory distillation of a portion of their output into industrial alcohol at prices fixed at 60 per cent of *the "target" for wine set by* the European Commission.

The introduction of obligatory distillation—the first since the system was decided *in 1982 — was agreed by a* market management committee in Brussels. It comes as more drastic measures to contain the Community's 3bn litre wine lake are being prepared for enforcement next year.

Under the arrangements, the Commission takes a view each December as to the likely state of the market in the coming year. If wine stocks look set to exceed demand by more than five months supply, obligatory distillation is introduced, penalising those with the highest yields per hectare.

However, underestimation of stocks, particularly by Italy, *has in the past prevented the* mechanism from being introduced. Last month the Italians admitted that errors in assessing stocks had led them to under-report their unsold wine by more than 19m hectolitres.

Under the restrictions on wine, agreed after lengthy talks by heads of government at the Dublin summit last month, markedly more rigorous restraint will come into focus in 1985-86.

The Commission will be empowered to introduce obligatory distillation whenever it believes the market requires it, regardless of member states assessments of supply and demand. The target price for wine is to be frozen for two years and payments for wine compulsorily distilled may be cut to 50 per cent or 40 per cent of this, making production uneconomic in many cases.

Combined with substantially improved incentives for growers to abandon vineyards, EEC officials hope these measures will be sufficient to reduce the wine surplus, now costing about Ecu 1.2bn (£708m) a year.

The total amount of wine due to be distilled this year is expected to be 12m hectolitres, of which Italy will contribute 7.2m, France 4.3m, Greece 550,000 and West Germany 67,000.

LONDON MARKETS

STEADY SUGAR prices in New York sparked off a substantial raly in the London futures market yesterday and nearby positions regained a large part of the fall sustained late last week, which had been attributed to profit-aking following an earlier strong rise.

The cocoa market was also quite strong with the May position adding £18.50 to last week's £67.50 rise at £2,012 a tonne, the highest closing level since May last year. It had reached £2,112 a tonne earlier on mixed trade, chartist and broker buying.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

	Jan. 21 1985	+ or −	Month ago
METALS			
Aluminium	£1100	....	£1100
Free Mkt.	$1180/1210	+10	$1110/1140
Copper			
Cash h Grade	£1246.5	+6	£1135.25
3 mths.	£1249.25	+7.5	£1146.75
Gold troy oz.	$307.5	+0.5	$310.875
Lead Cash	£367	+5.5	£399.5
3 mths.	£339.25	+8.625	£334.75
Nickel	£5816	....	£5987
Free Mkt.	226/255c	+4	219/249c
Palladium oz.	$119.75	+0.50	$130.00
Platinum oz.	$275.50	−2.00	$292.75
Quicksilver†	$295/305		$300/310
Silver troy oz.	550.85p	−6.75	547.85p
3 mths.	566.50p	−6.60	559.85p
Tin cash	£9677.5	−37.5	£9947.5
3 mths.	£9663	−72	£9907.5
Tungsten	$83.85	+1.65	$83.51
Wolfram 22 04lb	$64/68	....	$74/76
Zinc	£730.5	+12	£681
3 mths.	£726.5	+12	£681.5
Producers	$900	....	$900

	Jan. 21 1985	+ or −	Month ago
OILS			
Coconut (Phil)	$880y	+15	$940
Palm Malayan	$575z	....	$585
Seeds			
Copra Phil	$550v	+5	$569
Soyabean (U.S.)	$254.25z	....	$246.5
GRAINS			
Barley Fut. Mar	£114.35		£113.45
Maize	£148.50	....	£146.50
Wheat Fut. Mar	£113.35	−0.30	£113.20
No2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. May.	£2102	+18.5	£185
Coffee Ft. Mar.	£2378.5	+0.5	£226
Cotton A index.	71.05c	....	72.00
Gas Oil Feb.	$230.25	+0.25	$222
Rubber (kilo)	64p	....	65p
Sugar (raw)	$105yw	−1	$98
Wooltops 64s	514p kilo	+2	487p kilo

‡ Unquoted. z Feb. w Mar. y Jan-Feb. x Dec-Jan. v Mar-April. † Per 75-lb flask. n Nominal. c Cents per pound.

COPPER

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −†
High Grade	£	£	£	£
Cash	1248-.5	−2.5	1246-.7	+6.0
3 months	1248.5-9	−0.25	1249-.5	+7.5
Settlem't	1248.5	−2.5	—	—
Cathodes		—		
Cash	1229-30	−8.0	1224 6	+4.0
3 months	1209-41	−2.5	12335 6	+6.0
Settlem't	1230	−10.0	—	—

Amalgamated Metal Trading reported that in the morning Three months higher grade traded at £1,248, 47, 46, 47 47.5, 48, cash £1,248, 48.5, three months £1,250, 50.5, 50, 49.5, 49. Cathodes: Cash £1,229. Kerb: Higher Grade: Three months £1,249, 48. Afternoon: Higher Grade: Three months £1,248, 48.5, 49, cash £1,246, three months £1,250, 49.5, 49. Cathodes: Three months £1,236, 35. Kerb: Higher *grade: Three months* £1,249, 48.5, 48, 47, 46, 45.5, 45, 46, 46.5, 47, 46.5. Turnover: 29,350 tonnes. U.S. Producers: 64.00-69.00 cents per pound.

TIN

TIN	a.m. Official	+ or −	p.m. Unofficial	+ or −†
High Grde	£	£	£	£
Cash	9770-80	−52.5	9680-5	−32.5
3 months	9770 80	−57.5	9690-5	−42.5
Settlem't.	9780	−50.0	—	—
Standard.				
Cash	9740-60	−26.5	9675-80	−37.5
3 months	9755-60	−29.5	9661-5	−72.0
Settlem't	9780	−8.0	—	—
Straits. E.	$29.15	—	—	—

Tin — Morning: Standard: Three months £9,740, cash £9,780, three months £9,760. Kerb: Standard: Three months £9,750. Afternoon: Standard: Three months £9,740, 30, 20, 9,700, 9,690, 9,700, cash £9,675, three months £9,670, 65, 60, 55, 60, 65. Kerb: Standard: £9,680, 85. Turnover: 1,630 tonnes.

LEAD

LEAD	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Cash	371-2	−2.0	366 8	−5.5
3 months	354-6	+4.87	339-.5	+8.62
Settlem't	372	+2	—	—

Lead—Morning: Cash £360, 62, three months £330, 30.5, 31, cash £370, three months £332,333. Kerb: Cash £371, three months £333.75, 33.5. *Afternoon:* Cash £368, *three months* £334, cash £368, 69, 68, 66, 65, 67, three months £335, 36, 37, 38, 39, 38, 38.5, 39. Kerb: Three months £339, 40, 41, 43, 41, 42, 42.5, 43, 42.5. Turnover: 18,950 tonnes. U.S. Spot: 18.00-26.00 cents per pound.

ZINC

ZINC	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Cash	728-.5	+9.0	730-1	+12.0
3 months	723-4	+7.0	726-7	+12.0
Settlem't	728.5	+8.5	—	—

Zinc. High Grade Official/Unofficial prices: cash am £733-777, pm £775 80: *three months am* £760-765, *pm* £766-8: *settlement* £777.

Zinc—Morning: Three months £724, 23.5, 24, cash £729. Kerb: Three months £724, 25. Afternoon: Three months £724, 726, 27. Kerb: Three months £727, 28, 29, 30, 29.5. Turnover: 12,750 tonnes. U.S. Prime Western: 43.00-45.75 cents per pound.

ALUMINIUM

Alumin'm	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Spot	1001-.5	+7.0	997.5-8.5	+8.0
3 months	1029-30	+8.8	1027-.5	+7.0

Aluminium—Morning: Three months £1,028, 27, 25, 28, 27, 28, cash £999.5, 1,000, 01, three months £1,032, 33, 30, 31, 29, 28, 28.6, 29. Three months £1,030, 29.5, 29, 28. Afternoon: Three months £1,025, 25.5, 25, 26, 26.5, 1,027, 28, 27.5. Kerb: Three months £1,027.5, 28, 27, 26, 25, 26, 27, 26, 25. Turnover: 28,325 tonnes.

NICKEL

NICKEL	a.m. Official	+ or −	p.m. Unofficial	+ or −†
Spot	4445-50	+86.5	4430-40	+45.0
3 months	4445-50	+76.5	4438-40	+51.5

Nickel — Morning: Three months £4,415, 25, 30, 40, 45, cash £4,450, *three months* £4,445, 50, 55. Kerb: Three months £4,450. Afternoon: Three months £4,440, 35, 40, £4,440, 38. Kerb: Three months £4,440. Turnover: 3,000 tonnes.

GOLD

Gold rose $½ to $307¼-307¾ on the London bullion market yesterday. It opened at the same level, and was fixed at $307 in the morning and $307¼ in the afternoon. The metal *touched a peak* of $308-308½ and a low of $306½-307.

LONDON FUTURES

Month	Yest'days close	+ or −	Business Done
	$ per troy ounce		
Jan.	—	—	—
Feb.	308.70-08.80	−0.25	308.70-07.50
April	312.10	—	311.70-11.40

GOLD BULLION (fine ounce) Jan. 21

Close	$307¼-307¾	(£273-273½)
Opening	$307¼-307¾	(£272½-273)
M'n'g fix.	$307.00	(£272.453)
Aft'n'n fix.	$307.25	(£272.669)

GOLD AND PLATINUM COINS

Kr'g' r'nd.	$316½-317	(£281¼-281¾)
½ Krug.	$163¼-164	(£145-145½)
¼ Krug.	$83½-84	(£74-74½)
1/10 Krug.	$34-34½	(£30¼-30¾)
Mapleleaf	$316½-317	(£281¼-281¾)
New Sov.	$72¼-72¾	(£64¼-64¾)
½New Sov.	$44-44½	(£39-39½)
Old Sov.	$73-74½	(£65-66½)
$20 Eagle	$460-490	(£409-435½)
Noble Plat	$281¼-284½	(£250-252¾)

SILVER

Silver was fixed 6.75p an ounce lower for spot delivery in the London bullion market yesterday at 550.85p. U.S. cent equivalents of the fixing levels were: spot 620.55c, down 5.35c; three-month 632.8c, down 5.3c; six-month 646.2c, down 5c; and 12-month 677.7c, down 5.3c. The metal opened at 554-557p (625-628c) and closed at 554-557p (624-627c).

SILVER per troy	Bullion fixing price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	550.85p	−6.75	556p	−0.5
3 months.	566.50p	−6.60	572.75p	—
6 months.	581.15p	−7.25	—	—
12months	611.25p	−7.15	—	—

Turnover: 23 (68) lots of 10,000 oz.

LME—(2,000 oz contract): cash 556p (556.5p) three months 572.75p (same). Turnover: 0 (0).

Morning: large 2nd ring three months 568.5, 68.1. Kerb: untraded. Afternoon: *large 1st ring three months* 571, 2nd ring three months 572.5. Kerb: three months large 572.5.

COCOA

During an active day futures opened a little easier, as due, but quickly rallied. Physical interest was restricted to the nearby second-hand market

COCOA	Yesterday's Close	+ or −	Business Done
	£ per tonne		
March	2086 2087	+13.0	2103-2080
May	2101-2084	+18.5	2112 2074
July	2090 2095	+13.0	2102-2070
Sept.	2086 2079	+9.0	2100-2067
Dec.	2001 2003	+3.8	2008-1999
Mar.	1993-1995	+7.5	2005-1992
May	1976-2000	+6.6	—

Sales: 3,253 (6,129) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for January 21: 103.20 (101.90): five-day average for January 22: 101.52 (100.87). afternoon return prices to unchanged levels.

COFFEE

In quiet conditions the market opened about £8-10 higher, reports Drexel Burnham Lambert. Gains were extended gradually before resistance at £2,400, basis March, dampened the rise.

COFFEE	Yesterd'ys Close	+ or −	Business Done
January	2357-60	−4.0	2380-60
March	2378-79	+0.5	2400-78
May	2376-77	+3.5	2390-73
July	2382 83	+3.5	2396 83
Sept.	2380-82	+3.5	2394-80
Nov.	2392-98	+4.0	2396-88
Jan	2380 91	+2.0	2389

Sales: 1,797 (3,471) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for January 18: Comp daily 1979 138.77 (135.56): 15-day average 134.28 (134.10).

INDICES

FINANCIAL TIMES

Jan. 18	Jan. 17	M'th ago	Yearago
298.24	297.42	292.93	294.46

(Base: July 1 1952 = 100)

REUTERS

Jan. 21	Jan. 18	M'th ago	Yearago
1992.7	1991.3	1869.9	1989.2

Base: September 18 1931 = 100)

MOODY'S

Dec. 27	Dec. 19	M'th ago	Yearago
965.9	966.4	—	140.42

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	Dec. 27	Dec. 19	Month ago	Year ago
Spot	121.99	122.83	—	140.42
Fut.	124.33	123.68	—	143.53

(Base: December 31 1974 = 100)

GRAINS

WHEAT Mnth	Yesterd'ys close	+ or −	BARLEY Yesterd's close	+ or −
Jan.	111.15	−0.55	112.85	+0.25
Mar.	113.35	−0.30	114.35	—
May.	117.00	−0.30	116.95	−0.10
July.	118.90	−0.30	—	—
Sept.	98.90	+0.05	98.70	−0.05
Nov.	102.20	+0.10	102.00	−0.05

Business done—Wheat: Jan untraded, Mar 113.50-3.40, May 117.05-7.00, July 118.90 only, Sept 98.90-8.75, Nov 102.20-2.00. Sales: 181 lots of 100 tonnes. Barley: Jan 112.85 only, Mar 14.40-4.35, May 117.00-6.95, Sept untraded, Nov 102.00 *only. Sales: 52* lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. dark northern spring no 1 14 per cent Feb 176.25, Mar 177.35, April/May 163 85 seller transhipment east coast. U.S. no 2 soft red winter Feb 161, Mar *161.50,* April 160.75 sellers. English feed fob Oct/Dec 104.5 seller east coast. Maize: U.S. no 3 yellow/French Jan 148.50 quoted transhipment east coast. Barley: English feed fob Aug 9.50 buyer east coast. Rest unquoted.

HGCA — Locational ex-farm spot prices. Other milling wheat: Eastern 110.40. Feed barley: E. Mids 112.10, N. East 113.00. Scotland 109.60. The UK monetary coefficient for the week beginning Monday January 28 (based on HGCA calculations using four days' *exchange rates) is expected to remain* unchanged.

PIGMEAT

Prices closed slightly higher in very quiet trading conditions, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
Feb.	110.60	110.30	110.90
April.	107.40	107.10	107.40-107.20
June.	105.20	104.80	105.00-104.90
Aug.	102.40	102.50	—
Oct.	108.90	108.70	—
Nov.	109.60	109.50	—

Sales: 37 (303) lots of 50 carcases, 3,250 kg.

The market opened £1.40 lower, basis April, where most of the day's business was transacted. This weakness was due to an easier Dutch quote and continued milder weather giving rise to increased offers into an already *adequately supplied physical market,* reports Coley and Harper.

POTATOES

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
Feb.	46.50	46.80	49.00-46.20
April.	54.90	56.40	55.50-54.50
May.	58.20	59.60	58.50-57.90
Nov.	70.10	70.60	70.10-70.00
Feb.	79.80	80.50	—

Sales: 451 (496) lots of 40 tonnes.

OIL

Cold U.S. weather firmed crudes on both sides of the Atlantic early on but values softened towards the close. After initial strengthening Nymex crude lost some ground and by 1 pm EST was only 10c higher. In the petroleum product market gas oil prices stabilised but buying interest balanced supply *and contradictory directions from the* IPE and Nymex led to inactivity. Heavy fuel was quiet in N.W. Europe but firmer in the Mediterranean as demand in the Eastern Mediterranean and Italy appeared—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)		
Arab Light	27.85 27.95	−0.05
Arab Heavy	26.65-26.85	−0.05
Dubai	27.50-27.40	−0.05
Brent Blend	27.15-27.20	+0.125
W.T.I. (1pm est)	25.85-26.00	—
Forcados (Nigeria)	27.45-27.60	+0.075
Urals (cif NWE)	—	—
PRODUCTS—North West Europe "cif" ($ per tonne		
Premium gasoline	229-231	—
Gas Oil	238 240	−0.5
Heavy fuel oil	184-186	—

* March: rest February. Petroleum Argus Estimates

GAS OIL FUTURES

GAS OIL FUTURES

Month	Yest'day's close	+ or −	Business Done
	$ U.S. per tonne		
Jan	236.54	+2.25	236.50-36.25
Feb	230.25	+0.25	234.00-30.25
March	223.75	+1.25	225.75-22.50
April	216.50	+1.25	217.75-15.50
May	211.75	+1.25	215.60-11.75
June	212.00	−2.00	214.00-12.00
July	213.00	+4.00	213.00-12.25

Turnover: 2,700 (3,106) *lots of 100* tonnes.

RUBBER

PHYSICALS—The London market opened slightly steadier, drifted lower throughout the day and closed quiet and easier, reports Lewis and Peat. Closing prices (buyers): Spot 64.00p (same): Feb 74.00p (same): March 74.50p (74.25p). The Kuala Lumpur Jan fob price for RSS No 1 192.0 (190.5) and for SMR 20 was 182.5 (182.0).

SOYABEAN MEAL

	Yesterday close	+ or −	Business Done
	£ per tonne		
Feb.	152.5-156.5	+0.50	—
April	151.6-152.5	−0.70	152.6-152.0
June	150.0 156.5	−0.60	150.6-150.0
August	150.5-151.0	−0.75	151.5
October	151.5 152.5	+0.25	—
Dec	152.5-156.5	+0.50	—
Feb	152.5-155.0	+0.75	—

Sales: 88 (250) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $10.00 (£93.50), down $1.00 (down £1.00) a tonne *for Jan-Feb-Mar* delivery. White sugar $142.00, down 50c.

Prices rallied $3 following reports of sub-zero temperatures in Florida over the weekend, reports C. Czarnikow.

No.6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Mar.	124.0-124.2	119.8-119.4	124.0-119.4
May	131.0-130.2	126.0-126.2	131.6-126.8
Aug.	141.6 141.8	136.2-136.8	141.8 136.8
Oct	149.8-149.2	144.0-144.4	149.4-144.8
Dec.	154.8-156.4	149.4-150.8	—
Mar	170.0-171.2	164.6 165.9	1681.-166.4
May.	174.0-176.0	171.0-172.6	174.6-171.6

Sales: 1,853 (4,384) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £202.50 (£210.50) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports.) *Prices for January* 18: Daily price 3.55 (3.64): 15-day average 3.46 (3.45).

U.S. MARKETS

HEATING OIL prices were higher as unseasonally cold temperatures continued to dominate the North East while Europe has recovered from the record sub-zero temperatures, reports Heinold Commodities. Precious metals traded in a narrow range as the markets had no new fundamental or technical indications of direction. Copper traded slightly higher, despite a build-up in LME stocks, as technically orientated trading supported the market. Aluminium was about unchanged in light, featureless trading. Sugar recovered sharply as the certainty of frost damage to the plants in Florida

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	High	Low	Prev
Jan	50.65	—	—	50.55
Feb	50.80	—	—	50.70
March	51.20	51.30	51.00	51.70
May	51.95	52.05	52.00	51.85
July	52.70	—	—	52.60
Sept	53.45	—	—	53.35
Dec	54.60	—	—	54.50
Jan	54.95	—	—	54.85
March	55.75	—	—	55.65
May	56.55	—	—	56.45

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
March	2219	2229	2202	2190
May	2234	2244	2225	2209
July	2221	2225	2210	2186
Sept	2199	2206	2193	2177
Dec	2127	2128	2115	2108
March	2127	2125	2118	2108
May	2127	—	—	2108

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
March	148.38	48.50	47.60	48.25
May	144.58	44.70	43.75	44.29
July	142.18	42.50	41.65	41.90
Sept	140.13	40.15	39.50	40.00
Dec	138.50	38.50	38.25	38.53
March	137.50	37.75	37.50	37.51
May	136.00	36.70	36.00	36.26

COPPER 25,000 lbs, cents/lb

	Close	High	Low	Prev
Jan	61.25	—	—	60.75
Feb	61.35	—	—	60.85
March	61.70	61.85	60.65	61.20
May	62.00	62.10	60.90	61.35
July	62.20	62.30	61.05	61.50
Sept	62.40	62.35	61.50	61.70
Dec	62.75	62.65	61.85	62.05
Jan	62.85	—	—	62.15
March	63.15	63.00	62.20	62.40
May	63.40	63.30	62.45	62.60

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
March	66.04	66.19	65.82	65.97
May	67.07	67.28	66.85	67.00
July	67.96	67.99	67.82	67.88
Oct	67.40	—	—	67.37
Dec	67.45	67.50	67.40	67.45
March	68.65	—	—	68.66
May	69.50	69.50	69.50	69.50
July	69.90	70.00	70.00	69.50

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
March	25.96	26.04	25.80	25.75
April	25.76	25.86	25.61	25.56
May	25.60	25.80	25.70	25.48
June	25.44	25.51	25.37	25.46
July	25.30	25.40	25.30	25.40
August	25.30	—	—	25.40
Sept	25.50	—	—	25.40
Oct	25.50	—	—	25.40
Nov	25.20	25.20	25.20	25.40
Dec	25.35	—	—	25.40

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Jan	307.9	—	—	306.6
Feb	308.4	308.8	307.1	307.2
March	310.3	309.5	309.5	309.1
April	312.2	312.8	310.9	311.0
June	316.8	317.0	315.4	315.4
August	321.1	320.9	320.0	319.8
Oct	325.8	326.0	325.3	324.6
Dec	331.0	330.5	330.0	329.8
Feb	336.3	—	—	335.1
April	341.7	342.0	342.0	340.5
June	347.5	—	—	346.3
August	353.6	—	—	352.4
Oct	359.9	—	—	358.7

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
Feb	80.70	81.00	79.60	78.73
March	73.66	74.40	72.90	72.68
April	68.25	68.45	67.80	67.75
May	66.80	67.00	66.50	66.50
June	66.00	66.00	65.90	65.70

ORANGE JUICE 15,000 lbs, cents/lb

	Close	High	Low	Prev
March	169.55	69.55	69.55	64.55
May	170.25	70.25	70.25	65.25
Sept	168.50	68.50	68.50	63.50
Nov	166.50	—	—	61.50
Jan	166.50	—	—	61.05
March	166.50	—	—	16.50

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Jan	276.9	273.5	273.5	272.9
April	280.6	281.0	275.0	278.6
July	285.4	284.5	280.7	282.0
Oct	290.9	290.0	286.0	288.0
Jan	297.1	294.0	294.0	294.5

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Jan	628.3	627.0	625.0	628.1
Feb	629.0	—	—	628.5
March	633.5	636.5	628.0	633.0
May	642.3	644.6	636.0	641.7
July	651.6	654.0	647.0	650.9
Sept	661.6	660.5	658.0	661.0
Dec	677.7	677.0	671.5	677.1
Jan	683.3	—	—	682.7
March	694.4	693.5	688.0	693.8
May	706.5	—	—	705.9

SUGAR WORLD "11" 112,000 lbs, cents/lb

	Close	High	Low	Prev
March	4.34	4.35	4.13	4.09
May	4.74	4.75	4.49	4.45
July	5.10	5.10	4.87	4.86
Sept	5.38	5.19	5.12	5.12
Oct	5.54	5.54	5.30	5.30
Jan	6.00	5.87	5.80	5.76
March	6.46	6.46	6.25	6.26
May	6.63	6.64	6.51	6.47

SPOT PRICES—Chicago loose lard 24.50 (25.00) cents per pound. New York tin 495.0-508.0 (496.0-510.0) cents per pound. Handy and Harman silver bullion 62.5 (628.0) cents per troy ounce.

OTHER MARKETS

COTTON

LIVERPOOL—Spot and shipment sales amounted to 271 tonnes. Steady buying persisted and the rates quoted encouraged some customers to extend engagements. Operations were centred on Middle Eastern qualities and occasional support came in North and South American growths.

ROTTERDAM

WHEAT—(U.S. $ per tonne): U.S. two soft red winter Feb 166, Mar 165, April 164. U.S. two northern spring 14 per cent protein mid-Jan/mid-Feb 182, Feb 182.50, Mar 184.50, April/May 169. U.S. northern spring 15 per cent protein April/May 183.50. U.S. three hard amber durum April/May 183, June 184, Sept 183. Canadian one western amber durum April/May 193.50.

MAIZE—(U.S. $ per tonne): U.S. *per tonne): U.S. three yellow afloat* 137, Jan 137, Feb 135.50, Mar 134.50, April/June 135.50, July/Sept 136 sellers. Argentine Plate Mar 133, April 132, April/June 132 sellers.

SOYABEANS (U.S. $ per tonne): U.S. No. 2 yellow Gulfports afloat 249.50, Feb 248.50, March 248, April 248.50, May 249.60, June 251.25, July 252.35, Aug 2453.50, Oct 244.75, Oct 244.75, Nov 244.75 sellers.

SOYAMEAL—(U.S. $ per tonne): 44 per cent afloat 173, Jan 174, Feb and *March* 173, April/Sept 172 sellers. Pellets Brazil afloat 187.50, Jan 184.50, Feb 184, March 177, April and May 171, April/Sept 173 sellers. Pellets Argentine afloat 174, Jan 176, Feb and March 176, May/Oct 170 sellers.

PARIS

SUGAR—(FFr per tonne): Mar 1381/1383, May 1428/1432, Aug 1510/1515, Oct 1576/1586, Dec 1660/1670, Mar 1775/1780.

COCOA—(FFr per 100 kg): Mar 2235/2236, May 2250/2255, July 2240 bid, Sept 2255 bid, Dec 2180 bid, Mar 2150 bid, May 2150 bid.

هكذا ص الأصل

CURRENCIES, MONEY and CAPITAL MARKETS

FINANCIAL FUTURES

Awaiting further developments

A quiet day for the foreign exchanges ended with the dollar weaker, but not showing any sign of sustained fall, despite fears of orchestrated action by central banks to depress the value of the U.S. currency. Uncertainty about whether this will involve moves by the Federal Reserve and other central banks to weaken the dollar from present levels or prevent further sharp appreciation kept the market generally nervous. Trading was thin, with New York banks closed for a holiday to mark the inauguration of President Reagan. Rumours about possible intervention to sell dollars by the Federal Reserve on Friday encouraged market operators to stay on the sidelines until a new trend becomes clear.

This may develop after today's publication of U.S. fourth quarter gross national product growth, which is expected to be slightly higher than the flash estimate of 2.8 per cent.

The dolar fell to DM 3.1705 from DM 3.1810; FFr 9.7075 from FFr 9.7475; SwFr 2.665 from SwFr 2.6820; and Y253.40 from Y254.50.

On Bank of England figures the dollar's index declined to 146.0 from 146.5.

STERLING — Trading range against the dollar in 1984-85 is 1.4940 to 1.1116. December average 1.1873. Exchange rate index closed unchanged at 71.3, compared with 78.7 six months ago. It opened yesterday at 71.4, and was steady until falling to 71.3 at 1 pm.

Sterling showed small mixed changes, and gained a little ground against the dollar. The pound moved within a narrow range of $1.220 to $1.1285, and closed 25 points higher at $1.1230-$1.1240. News of informal talks between the National Coal Board and National Union of Mineworkers, and a return to work by the largest number of miners so far this year, had little obvious impact, but coupled with the recent Group of Five declaration in support of weaker curencies, helped underpin sterling, which rose to FFr10.9175 from FFr 10.90, was unchanged at SwFr 2.9975 and Y285, and fell to DM 3.5650 from DM 3.5675.

D-MARK — Trading range against the dollar in 1984-85 is 3.1935 to 2.5535. December average 3.1021. Trade-weighted index 120.3 against 124.4 six months ago.

The D-mark was firmer against the dollar in quiet Frankfurt trading. The Bundesbank may not have intervened on the open market, but sold $13.9m when the dollar was fixed at DM 3.1680 compared with DM 3.1711 on Friday. New York banks were closed for President Reagan's inauguration, and the lack of activity in the market kept the U.S. currency within a narrow range. A level of DM 3.1725 was seen as a resistance point for the dollar, and this proved to be the peak of the day, with the currency falling back as the market remained nervous about possible central bank intervention, following indications the Federal Reserve may have sold about $65m on Friday. This proved to have a significant psychological impact. Sterling was fixed unchanged at DM 3.5590, while the Swiss franc rose to DM 1.1892 from DM 1.1872. Within the EMS the French franc improved to DM 32.640 per 100 francs from DM 32.635, but the Belgian franc fell to DM 4.9920 per 100 francs from DM 4.9930.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu January 21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	44.5181	−0.85	+0.07	±1.5428
Danish Krone ...	8.14104	7.93722	−2.50	−1.58	±1.6421
German D-Mark	2.24184	2.22293	−0.84	+0.06	±1.1463
French Franc ...	6.87456	6.80989	−0.94	−0.02	±1.3659
Dutch Guilder ...	2.52595	2.51096	−0.59	+0.33	±1.5165
Irish Punt	0.72589	0.715099	−1.46	−0.54	±1.6671
Italian Lira	1403.49	1366.20	−2.66	−2.40	±4.0511

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING EXCHANGE RATE INDEX

(Bank of England)

	Jan 21	Previous
8.30 am	71.4	71.3
9.00 am	71.4	71.3
10.00 am	71.4	71.2
11.00 am	71.4	71.2
Noon	71.4	71.2
1.00 pm	71.3	71.2
2.00 pm	71.3	71.3
3.00 pm	71.3	71.3
4.00 pm	71.3	71.3

£ in New York

	January 21	Prev. close
£ Spot	$1.1243-1217	$1.1280-1290
1 month	0.40-0.36 pm	0.39-0.37pm
3 months	0.95-0.90 pm	0.95-0.92pm
12 months	1.85-1.75 pm	1.78-1.68pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

Jan 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 71.50-71.60. Six-month forward dollar 1.42-1.37c pm. 12-month 1.80-1.65c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Jan 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 63.65-63.75.

OTHER CURRENCIES

Jan. 21	£	$		£ Note Rates
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* Selling rate.

CURRENCY MOVEMENTS

Jan. 21	Bank of England Index	Morgan Guaranty Changes%
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

CURRENCY RATES

Jan. 21	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

*CS/SDR rate for January 18: 1.28332.

EXCHANGE CROSS RATES

Jan. 21	Pound St'rling	U.S. Dollar	Deutsche m'rk	J'panese Yen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Frank
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES (Market closing rates)

Jan. 21	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Asian $ (closing rates in Singapore): Short-term 8¾-8⅝ per cent; seven days 8¾-8⅝ per cent; one month 8⅞-8⅝ per cent; three months 8¾-8⅝ per cent; six months 8⅞-8⅝ per cent; one year 9⅛-9⅜ per cent. Long-term Eurodollars: two years 10¾-10⅞ per cent; three years 11-11¼ per cent; four years 11¼-11½ per cent; five years 11½-11⅞ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FOREIGN EXCHANGES

Little change

Prices showed little overall change in the London International Financial Futures Exchange yesterday in rather quiet trading. After a weaker opening, the dollar showed little movement and sterling was only slightly down and with the cash market virtually static, prices in the futures market received little incentive to move outside a relatively narrow trading range. In addition some parts of the U.S. were closed for a holiday.

Gilt prices opened steady and showed little movement in light trading. A slight easing in the pound towards the close saw values finish below the day's highs. Three-month sterling reacted in much the same way although early quotations reacted favourably to brief attempts to push cash rates lower. Once again however an easier pound contributed to a softer close although prices finished above the day's lows.

Euro-dollar prices were relatively strong following Friday's fall in cash rates and expectations that this week's U.S. money supply figures would prove encouraging. Despite the recent five nation pledge to act if the dollar became too strong, dealers remained sceptical, suggesting that a sharp fall in the value of the U.S. dollar would be less than welcome to the U.S. administration.

LONDON

SWISS FRANCS
SwFr125,000 $ per SwFr

	Close	High	Low	Prev
March	0.3764	0.3765	0.3764	0.3748

Estimated volume 1 (2)
Previous day's open int. 111 (113)

JAPANESE YEN
Y12.5m $ per Y100

	Close	High	Low	Prev
March	0.3957	—	—	0.3942

Other London futures tables (FT-SE 100 index, three-month Eurodollar, three-month sterling, 20-year 12% notional gilt, Deutsche marks): [illegible]

STERLING
£25,000 $ per £

	Close	High	Low	Prev
March	1.1205	1.1225	1.1175	1.1156
June	1.1145	1.1159	1.1131	1.1096
Sept.	1.1115	1.1115	1.1100	1.1066

Estimated volume 438 (21)
Previous day's open int. 3,650 (3,665)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

Chicago futures tables (U.S. Treasury bonds, U.S. Treasury bills (IMM), certificates of deposit (IMM), three-month Eurodollar (IMM), sterling (IMM), GNMA (CBT), U.S. Treasury bonds): [illegible]

MONEY MARKETS

UK rates ease slightly in quiet trading

Interest rates were slightly easier in London yesterday in rather quiet and featureless trading. Sterling's steady performance and the closure of New York saw three-month interbank money drift to 11⅞-12 per cent from 11⅞-12⅛ per cent while three-month eligible bank bills were bid at 11½ per cent compared with 11⅝ per cent. Overnight interbank money opened at 12½-12¾ per cent and traded for most of the day between 12½ per cent and 12¾ per cent before rising to a high of 13 per cent. Late balances were taken around 9 per cent.

The Bank of England forecast a shortage of around £800m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £817m and Exchequer transactions a further £435m. In addition banks brought forward balances of £50m below target. These were partly offset by a fall in the note circulation of £290m.

To help alleviate the shortage the Bank offered an early round of assistance which totalled £164m and comprised purchases of £42m of eligible bank bills in band 2 (15-33 days) at 11⅝ per cent and in band 3 (34-63 days) £10m of local authority bills and £3m of eligible bank bills all at 11⅝ per cent. In band 4 (64-91 days) it bought £109m of eligible bank bills at 11½ per cent. Further help was given in the morning of £358m, comprising purchases of £4m of eligible bank bills in band 1 (up to 14 days) at 11⅝ per cent and £6m in band 2 at 11⅝ per cent.

It also arranged sale and repurchase agreements on £348m of bills at 11⅝ per cent, unwinding in equal amounts on January 30 and January 31.

Further help in the afternoon came to £198m and comprised purchases of £46m of eligible bank bills in band 1 at 11⅝ per cent and £19m in band 2 at 11⅝ per cent. In band 3 it bought £5m of eligible bank bills at 11⅝ per cent and £89m in band 4 at 11½ per cent. It also arranged sale and repurchase agreements on £39m of bills at 11⅝ per cent, £27m for resale on January 30 and £12m on January 31. It also provided late help of £125m, making a total of £845m.

UK clearing banks' base lending rate 12 per cent since January 14

MONEY RATES

Jan. 21	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.40-5.60	10⅝	2⅞-3⅛	5⅞-5¾	6.21875	15⅝-16	8.70	14⅝-14⅝
One month	5.70-5.85	10⅝-10½	5⅞-5⅞	5¾-5⅞	6.21875	15⅝-16	10⅝-10⅞	14⅝-14⅞
Two months	5.65-5.90	10⅝-10½	—	—	—	—	—	14⅝-14⅞
Three months	5.75-5.90	10⅝-10½	5⅛-5½	5⅞-6	6.28125	15¾-16⅛	10⅝-10⅞	14½-14¾
Six months	5.80-5.95	10⅝-10⅞	—	5⅞-6	—	—	10⅝-10⅞	14⅝-14⅝
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	10⅛	—	5¾	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

Jan. 21 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	9-13	12¼-12⅝	12¼-12½	11-12¼	—	—	—	—	—
2 days notice	—	—	12⅛-12¼	—	—	—	—	—	—	—
7 days or ...	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12¼-12⅝	12⅛-12¼	12⅝-12⅛	12	—	—	—	—	—
One month	12¼-12⅛	12⅛-12⅛	12⅛	12⅛	11⅞	11⅝	11⅝	11¾-11⅝	11¾	12⅛
Two months	12⅛-11⅞	12⅛-12⅛	11⅞	12¼	11¾	11⅝	11⅝	11⅝	11⅝	12⅛
Three months	11⅞-11⅞	11⅞-12	11⅞	12⅛	11½	11⅝	11⅝	11½	11⅝	12⅛
Six months	11½-11⅝	11⅞-11⅝	11¼	—	—	—	—	10⅞-11	10⅞-10⅞	11⅝
Nine months	11⅞-11⅝	11⅝-11⅞	—	—	—	—	—	—	—	—
One year	11⅞-11⅝	11⅝-11⅞	11⅛	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	12⅝-12⅝	—	12¼	8.0-8.1	7⅞-8⅛	9⅛-9⅛
Two months	12⅛-12¼	—	12⅛	8.1-8.2	7⅞-8⅛	9⅛-9⅛
Three months	12⅜-12⅛	—	12	8.15-8.25	8-8¼	9⅛-9⅛
Six months	11⅞-11½	—	11⅝	8.45-8.55	8⅛-8⅛	9⅛-9⅛
Nine months	12⅛-11¾	—	11⅝	8.8-9.0	—	—
One year	12-11⅛	—	11⅝	9.3-9.5	8¾-9	9⅛-9⅛
Two years	—	11¼	—	—	—	—
Three years	—	11¼	—	—	—	—
Four years	—	11¼	—	—	—	—
Five years	—	11⅜	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of Interest period December 5 1984 to January 1 1985 (inclusive): 9.913 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 10 per cent from January 1 1985. London and Scottish Clearing Bank Rates for lending 12 per cent. London Deposit Rates for sums at seven days' notice 9 per cent. Treasury Bills: Average tender rates of discount 11.4022 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 11¾ per cent; one-three months 12 per cent; three-six months 11¾ per cent; six-nine months 11¾ per cent; nine-12 months 11¾ per cent. Under £100,000 11 per cent from January 15. Deposits held under Series 5 10 per cent. The rate for all deposits withdrawn for cash 5 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. January 21)

3 months U.S. dollars

bid 8 1/4	offer 8 3/8

6 months U.S. dollars

bid 8 11/16	offer 8 13/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	9-10¼
Fed fund	8½

Treasury Bills

One month	7.45
Two month	7.60
Three month	7.71
Six month	7.92
One year	8.27

Treasury Bonds

Two year	100⅛
Three year	101⅜
Four year	99⅞
Five year	100⅝
Seven year	101⅝
10 year	101⅝
30 year	102⅛

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on January 21, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.13 †
Algeria	Dinar	(A) 5.78
Andorra	French Franc	10.9175
	Spanish Peseta	196.95
Angola	Kwanza	(CM) 33.5105
Antigua	E. Caribbean $	3.0375
[illegible]	[illegible]	[illegible]
Greenland	Danish Kroner	12.7350
Grenada	E. Caribbean $	3.0375
Guadaloupe	Local Franc	10.9175
Guam	U.S. $	1.1235
Guatemala	Quetzal	1.1235
Guinea	Syli	28.53
Guinea-Bissau	Peso	91.54
Guyana	Guyanese $	4.7315
[illegible]	[illegible]	[illegible]
Peru	Sol	exc(A)6,701.85
Philippines	Philippine Peso	19.75
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.5910
Poland	Zloty	156.86
Portugal	Portuguese Escudo	194.10
[illegible]	[illegible]	[illegible]

INTERNATIONAL CAPITAL MARKETS

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for January 21.

U.S. DOLLAR STRAIGHTS

DEUTSCHE MARK STRAIGHTS

SWISS FRANC STRAIGHTS

YEN STRAIGHTS

OTHER STRAIGHTS

FLOATING RATE NOTES

CONVERTIBLE BONDS

* No information available—previous day's price.
† Only one market maker supplied a price.

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Greece launches 12-year FRN to raise $250m

BY MAGGIE URRY IN LONDON

THE EXPECTED $250m floating rate note for the Bank of Greece, the country's central bank, duly appeared in the Eurodollar market yesterday, a day when activity was limited by the partial closure of the New York markets.

Bank of America International won the bidding for the Greece FRN and set terms for the 12-year issue at an interest rate of ¼ per cent above the London interbank offered rate (Libor) for six-month Eurodollar deposits with front-end fees totalling 1.45 per cent. Investors have put options after eight and 10 years.

The four co-lead managers – Bank of Tokyo International, Dresdner Bank, Saudi International Bank and S.G. Warburg - represent a wide geographical spread.

The issue traded around the 98.65 level, inside the total fees but outside the 1.3 per cent fees the co-managers receive. Bank of America was reported to be doing a good job of supporting the issue.

County Bank brought a much smaller, $50m FRN issue for Shawmut, the Boston-based bank. This is Shawmut's first foray into the Eurobond market and its less well-known name meant a spread over three-month Libor of ⅛ per cent. Total commissions are 40 basis points, of which the selling concession is only 10 basis points. The bonds were not trading actively, and dealers say that it will prove too small to be a liquid issue in the secondary market.

Toyo Menka, the Japanese commercial house, launched a $50m fixed-rate issue with a seven-year life through Nikko Securities Europe. This has a 10⅞ per cent coupon and par issue price. Fees total 1⅞ per cent.

Nikko Securities also launched a $20m issue with an equity play for Pasco, the aerial photography company. The bonds are expected to have a 3¼ per cent coupon for their 15½ year life, and the premium on the share price is likely to be 5 per cent. Fees total 2½ per cent.

Co-lead managers were being assembled yesterday for the jumbo Canadian dollar issue for Marubeni the Japanese trading house. The issue is expected to total C$200m – the largest ever in the EuroCanadian dollar bond market – and have a seven-year life with a 11 per cent coupon.

More issues are also expected soon in the Euroyen market, despite some overcrowding of borrowers there.

SHF Bank bond average		
Jan 21		Previous
102.626		102.708
High	1984/85	Low
103.042		98.066

Eurodollar bond price were little changed yesterday, lacking a lead from the U.S. markets.

The D-Mark foreign bond market is sufering the same overload of paper seen in the Eurodollar sector. Although the domestic bond market is firm, the foreign bond market fell by ¼ to ½ point yesterday.

Four new issues appeared, of which two are on the new issue calendar announced last Friday. Sweden's DM 500m deal, led by Dresdner Bank, has a 10-year life and 7½ per cent coupon, with par issue price. Some traders quoted the issue at 98, outside the 1½ per cent selling concession, saying the terms were too tight and the size too large. With another DM 500m deal due today for the World Bank, there is an excess of top quality paper.

National Bank of Hungary's DM 100m issue was priced with a 7¾ per cent coupon, and par price, for an eight-year life by Commerzbank. Again traders reported the issue was trading outside the 1½ per cent selling concession.

Bayerische Vereinsbank led a DM 70m issue with equity warrants for Chujitsuya, the Japanese retailer. The issue has a five-year life and the coupon is indicated at 4 per cent.

A DM 20m private placement for American Express was also announced. This has a five-year life and 6⅞ per cent coupon. Lead manager is Commerzbank.

Pasco announced a SwFr 50m private placement, led by Bank Julius Baer. This will have a five-year maturity, and will be convertible into shares. Indicated terms will be published today.

Later this week a two-tranche Swiss franc issue is expected for the Asian Development Bank, and Santos Finance will launch a public issue, probably raising SwFr 130m for 10 years.

Swiss franc foreign bonds fell by around ¼ point on average yesterday, though turnover is still low. The strength of the dollar is still causing concern. The SwFr 70m issue for Donaukraftwerke started trading yesterday, closing at 99⅞ compared with a 100 issue price. The coupon is 5⅞ per cent.

OVER-THE-COUNTER

Continued from Page 30

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Indices

NEW YORK—DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

New York Active Stocks

TORONTO

MONTREAL Portfolio

* Indicates pre close figure

	Jan. 21	Jan. 18	Jan. 17	Jan. 16	1984/85 High	1984/85 Low
SWEDEN Jacobson & P (1/1/58)	1458.98	1448.74	1458.90	1426.68	1534.5 (3/7)	1302.99 (22/11)
SWITZERLAND Swiss BankCpn. (31/12/58)	404.4	406.4	405.6	404.7	406.4 (18/1/85)	354.5 (25/7)
WORLD Capital Intl. (1/1/70)	—	190.5	189.9	190.2	190.6 (5/5)	185.2 (14/12)

** Saturday January 19: Japan Nikkei-Dow 11,952.1. TSE 934.01.

Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Exclusive bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. (u) Unavailable.